

COLLECTIVIST ECONOMICS

COLLECTIVIST ECONOMICS

BY

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Author of Economic Moralism : An Essay in Constructive Economics.

*"Socialism is only one-half of the truth ;
Individualism is the other half."*

OLIVE SCHREINER.

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To
LINA JEANRENAUD
My Wife

PREFACE

PRESIDENT WILSON, replying to a deputation from the French League Society in the middle of February, 1919, said: "I have been thought of as a man more interested in principles than in practice, whereas in one sense principles have never interested me. Principles until translated into practice are very thin, abstract, and uninteresting things. It is not interesting to have far-away visions, but it is interesting to have near-by visions of what it is possible to accomplish."

These words will by many be interpreted in a way that would probably have met with President Wilson's disapproval. The so-called practical man, the business man, the politician, and all time-servers will find in them confirmation of their dislike to principles, especially moral principles, to long views, and every kind of idealism, to everything in fact that cannot be realized to-morrow or the day after. Such will certainly be the interpretation favoured by the Peder Mortensgaards of the world, who feel justified by their "success," and accordingly speak as having authority, by those who, as Ibsen sarcastically remarks, may be said to have the attribute of omnipotence, for they can do anything they will to do, as they never will to do more than they can do; they can live without ideals, and that is the great secret of action and success, the essence of all worldly wisdom.*

Undoubtedly it is foolish to cry for the moon. But all far-away visions are not visions of what it is impossible to

* "Peder Mortensgaard har almaegtighedsevnen i sig. Han kan gjøre alt hvad han vil. For Peder Mortensgaard vil aldrig mere end han kan. Peder Mortensgaard er kapabel til at leve uden idealer. Og det, ser du det er just handlingens og sejrens store hemmelighed. Det er summen af al verdens visdom. Basta!" Brendel in "Rosmerholm".

accomplish. Many of the great inventions, discoveries, and social and economic changes seemed at their inception to be so remote that they were regarded as ridiculously utopian by all but a few enthusiasts. Certain social ideals may be untenable, but it can never be merely because they happen to be or to appear remote from the actual. They can only be justly condemned when it can be proved that they run counter to the true principles of social and economic life. The awful disasters that have befallen Russia, and threaten many other countries, must be ascribed to the ignorance of these principles. The civilized world has received warning of the danger of neglecting to inquire into and discuss them, and to deduce from them the necessary economic and political institutions of a social system that will satisfy the requirements of modern man. Furthermore, it has been warned of the consequences of neglecting to chart out carefully and direct the course of the evolutionary forces, so that the progress to the ideal, though steady and rapid, may not be marred by lawlessness, and economic and social confusion.

It is abundantly evident that the present economic system not only is in many ways pernicious, but has broken down and is doomed. It is unjust; wealth in greater profusion than ever in the world's history comes into the possession of those who do not work for it, and does not come to those who do. It is a failure; the whole world after the War wished to get to work and produce what it required, but could not—the machinery would not go. Before the War there was the same trouble, although not so accentuated; continual economic crises and unemployment were the worry of both Capital and Labour. We have to find a substitute, efficient, just, desirable, and possible; we must plan for reconstruction—prophesy, if you will. But before a change can be safely made, principles must be seriously and deeply studied, and taught to the people. Principles are "very thin, abstract, and uninteresting things" only if they are not intended to be "translated into practice"; but before we can translate them into practice we must have a firm

grip of them, and when we understand them thoroughly and work out their application, we shall find that we have both far-away and near-by visions. Both are necessary. We must have the plans of the cathedral before we begin to build. We must have the far-away vision first, if the near-by visions are to be of value, if indeed they are not to lead to chaos.

In that belief I published some years ago an essay in constructive economics, *Economic Moralism** dealing largely with the moral principles on which, as I conceive, the economic structure of a tolerable and stable social system must be based. The economic institutions of such a system are there sketched in broad outline. In the present volume I do not intend to deal further with the principles, except to appeal to them when necessary. I mean to deal with the economic arrangements in greater detail, in other words, to amplify the distant vision, and also to try to get a near-by vision of what it is possible by constitutional, orderly, and legitimate means to accomplish, now and in the immediate future, in the direction of realizing these arrangements, of building up the new society—a need never more urgent than in these days.

Collectivism is being forced upon us by economic and moral progress. Its advance is hastened by dishonest finance and the breakdown of the capitalist system owing to inherent vice and under pressure of war and its consequences. The use of that generic and rather vague term Collectivism I avoided in the volume mentioned, because in its usual acceptance it covers social ideals of which I disapprove. As I pointed out, Socialism, which is generally regarded as identical with Collectivism, has now come to mean "Communism," according to the confession of faith of nearly all prominent living socialists and practically all the rank and file, although, according to my recollection, in the early days of the organized socialist movement in this country—forty years ago—the essential difference between Socialism and Communism was clearly understood and accentuated.

* 1916, G. Allen & Unwin.

These socialists are in favour of providing by the State very many of the necessities and comforts of life free to all, and raising the cost of these by taxation. Most have "free everything"—all things in common—as their ideal. That is Communism. But since the Russian Bolshevik Revolution, which claims to be a communist revolution, Communism is repudiated in name by many socialists in this country, who nevertheless in their ethics and economics are really communists. The difference however between Communism and such socialism is not in the ideal but only in the methods. The Labour Party according to its circular of September, 1924 "seeks to achieve the Socialist Commonwealth by means of parliamentary democracy, while the Communist party seeks to achieve the 'dictatorship of the proletariat' by armed revolution." Their economic object however is the same. Socialism proper on the other hand would ensure the payment to individuals of the full value of the socially useful work they did and accord to them the right to demand and receive any commodities and services they were ready to pay for. True socialists would spend their money themselves. Communists would let the State or their revolutionary committees spend it for them. That is the fundamental difference. Socialism would mean liberty. Communism would mean conscription of labour and serfdom. Both Socialists and Communists agree in advocating the public ownership of the means of production and the abolition of rent, interest and profit.

Having always regarded any movement in the direction of Communism or "free everything" as pernicious and immoral and a grave social danger, as sure to lead to anarchy if communist revolutionary efforts were unsuccessful, which it is certain they would be in the long run, or to intolerable tyranny if successful, I chose to give a distinctive label to the form of Collectivism I believe in. To continue to use the specially coined term "Economic Moralism" after sufficient protest has been made, would be tiresome and irritating to my readers; and I purpose therefore in the present volume to use the term "Collectivism." After all, individual

thinkers have the right to help to fashion and define the indeterminate; and this is what I wish to do with Collectivism.

The main support of Communism, I consider, is the belief of socialists that in equity economic rent can only be used communistically, and that if such an enormous portion of the annual product must be dealt with according to the principles of Communism, it is absurd to refuse to sweep the remainder of the national income into the common purse out of which "~~free~~ everything" can be disbursed. In my earlier book I undertook the exposition of my theory of the equitable distribution of economic rent, a difficult problem, and one which, as far as my knowledge goes, there has never been any other attempt to solve, although it is of first importance. I venture to think I have dissipated all grounds for belief that it is impossible to distribute economic rent otherwise than in a communistic way, and therefore have helped materially to undermine a mischievous social ideal, which it is to be hoped will soon receive its quietus.

We have ample evidence thrust upon us of the pernicious and widespread effect of communistic doctrines, which are now in part accepted, unconsciously no doubt even by the old political parties. We find it in the disregard in every department of economic life for an "economic basis". We have had, and in many cases have still, wages and prices fixed on an "uneconomic basis"; we have had the uneconomic bread subsidy, uneconomic rents, uneconomic house-building, uneconomic railway rates. In fact, all the teachings of the old political economy and all the teachings of the new have been thrown to the winds. And we shall surely reap the consequences of the introduction of communist poison into the veins of the body economic.

This is no time for mere academic discussion. All our social institutions are in the melting pot, and we are suffering now from our neglect of the all-important task of establishing in time of peace and comparative social stability a system of production and distribution of wealth based on efficiency and economic justice. To avoid disaster we must devote

all our energy to this practical work now, when unfortunately war, violent revolution, and economic collapse have brought red ruin on the world. We must save civilization—if possible.

In this volume I do not intend to deal with anything but the economic side of social life, as I firmly believe that if that were organized on a moral basis, most of our social problems would be solved. The moral side of man's nature is sound. It has been developed by ages of family and social life.* But with the growth of a complicated civilization, forces have been at work which have had an increasingly demoralizing influence. Human nature has been vitiated by its environment, but by good fortune only superficially. Want of security in economic conditions gives rise to fear, the fear of poverty, and this is the root of man's greed and cruelty. Even the rich can never feel sure that they have enough. A slight turn of the wheel of fortune may scatter most of their riches, if not all. Is it surprising then that men are out to grab all they can, and trample down their fellows in the wild struggle, and that every man's motto is that of the old Border reiver, "Thou shalt starve, ere I starve"? Dissipate this fear and the better side of man's nature will get free play, and will triumph. We do not need to aim so much at moralizing the individual, although much must be done to inculcate the rules of correct social and economic life, as at moralizing his environment. In all our

* Sir Frederick W. Mott in his article on "The Biological Foundations of Human Character" in *The Edinburgh Review* of July, 1923, says: "The moral sentiments are buried deep in the unconscious mind, where their presence is not easily discerned." And he makes the following quotation from Mr. Hugh Elliot's book, "Human Character": "The instincts subserving preservation of the individual and the perpetuation of the species must have been in operation since the dawn of life; and the gregarious instincts are probably much more recent in the biological sense. But in every other sense they must be of high antiquity; and at the present time these instincts are enormously powerful. Without them the human species would soon disintegrate: individuals would have to fight their battles with nature single-handed, and they would not for long be able to survive so unequal a contest." Again; "Since morals depend on deep-rooted and universal instinct, implanted by long ages of evolution, so that it has become part of the nervous structure of the human species, they supply a bond of cohesion sufficient to overcome to a great extent the disruptive tendency of unchecked egoism."

efforts to improve our economic system, then, we must first aim at security for all. Organization must enable all the able-bodied to find work in order to provide for their wants; and those who are unfit to work through disease, accident, or old age, must be supported by the community.

As a first step to the realization of Collectivism, the individual must be secured from the worst economic hazards of life. Work and sufficient pay must be found for all even under Capitalism; while State Insurance against disablement and death must be instituted. The natural opposition of the thrifty artisan classes and of the lower grades of the middle classes to the socialization of capital and the abolition of unearned income would for the greater part disappear, if their little stores of savings, or family insurance funds, which stand in lieu of State protection, and the unearned income derivable from them, were not interfered with until equivalent State protection was provided. These classes make great sacrifices to save money as a safeguard against economic risks, and will with good reason fight hard against any change that will endanger their position. In the absence of State provision against these risks they have had as a measure of prudence to use every personal effort to provide as individuals against them.

To those who may notice a dogmatic tone in the following pages, I offer my apologies. I have done my best to avoid it, but fear it is almost impossible to write upon this subject with sincere conviction, supported by life-long observation and thought, without conveying the impression of dogmatism. Again, it is practically impossible to deal with the subject in precise, logical, euclidean manner, and link up every principle and ultimate deduction in a chain of close inelliptical reasoning. The missing links can, I think, be easily supplied, by the reader. I have avoided the future tense as much as possible because it seems to imply that the writer has the presumption to imagine he can see far into the future. Let me say once and for all that even when apparently most assertive and positive, I am really stating a case, and mean my statements and arguments to be considered

as suggestive and open to discussion. I am only too well aware of the immense difficulties of the task that confronts collectivists. What I have done is to describe to the best of my ability the nature and working of collectivist institutions, which after all seem to afford the only hope for the future of the race.

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CHAPTER I

SOCIAL RECONSTRUCTION

SOCIAL reconstruction is the task that confronts us. It cannot be avoided, and it must be radical and real, so that it will be impossible any longer to say of the social system with truth: "Plus ça change, plus c'est la même chose."

The problems that press for solution are fundamentally economic and ethical. They are concerned in the main with the efficient production of wealth and its just distribution as the basis of social well-being, contentment, and peace. Ethical writers, unfortunately, with very few exceptions, do not deal with the vital moral problems, but confine themselves to the psychological and other abstruse questions of their science, which are of comparatively little practical importance. Most of them have left the laws of right living severely alone, especially in their effect on economic relations. Too little attention has been paid to the application of ethics in the solution of the problems of property, public and private, the problems of income in its various forms of rent, interest, profit, wages, and pensions, the problems of taxation, and the problems of prices. The high philosophical and scholastic treatment is perhaps instinctively felt by these writers to be less dangerous to institutions they do not care to disturb than the commonsense and practical one. But ethics, in order to be of any use, must deal above all with economic arrangements and relations. The fact that this science has had its head kept in the clouds for so long is the prime cause of our social, political, and international troubles. The application of the moral law in industry and commerce will of necessity revolutionize our economic and political system for the better. Moreover, as the divorce of morality from the economic life has resulted in the weakening of the moral fibre of the

individual and in the vitiation of the whole of the moral life, so will the development and strengthening of character make equal and simultaneous progress with the moralization of the economic system.

Economists, too, have in general confined themselves to the investigation of the "laws" of the existing economic system. This investigation is unobjectionable and necessary, but the proper procedure is to go further, and inquire whether this system is fundamentally just and productive of social well-being, and if found not to be so, to use every effort in reconstructive work, in the foundation of a new system. The new social economy cannot be divorced from ethics. Undoubtedly the economists' investigations and analyses have helped us to understand the complications and intricate workings of the present economic system. But political economy, while necessarily having its scientific side, is an art; and an ideal economic system calculated to benefit equally all members of society, must be constructed in theory, and the necessary steps taken for its actual adoption in our working life. What would be thought of doctors of medicine, if they devoted themselves solely to the theoretical, and neglected the practical? The sick man wants to be nursed back into health, and not lectured on the scientific aspects of his trouble. Pathology in itself is of no interest to the patient. He wants to recover his health, and has no use for a medical man who has a deep scientific knowledge of diseases, but does not combine with it the art of healing.

Philosophy, the physical sciences, the fine arts, the mechanical arts, industry, and commerce, have hitherto proved the greatest attraction for the best intellect and energy. But, if we are to do our duty to ourselves and to posterity, nay, if we are to save civilization, these pursuits must now give way for a time to the study and solution of social-economic problems. The investigation and solution of these problems will have to receive the closest attention, and our acutest intellects will find their noblest task in this field of work. Deep thought is required, long views must be taken, and the work of reconstruction entered into with courage and practical sagacity.

A great social religion is called for. The old theological religions are unmodernized, and inadequate to the task. Devotion to humanity is required, not supernaturalism, not otherworldliness, not attention to ecclesiastical rites and ordinances, theological dogmas and doctrines, or any

imaginary means of personal salvation from the bogeys of an after-life. It is social salvation we must seek, salvation of all in the body politic, in this world we know. We can only save ourselves by saving our fellows.

This is after all, to use a term that horrifies "the unco guid", enlightened self-interest. Devotion to humanity does not imply that self-abnegation is desirable in itself, which many believe to be the teaching of Christianity. In abnormal conditions self-sacrifice is necessary, even the 'supreme sacrifice—in war, in the accidents and disasters of Nature. But sufferings due to bad social arrangements—which are, or were, looked upon by some as divinely appointed for the exercise of the virtues of compassion, benevolence, and self-sacrifice—while calling for the self-denial of individuals in the works of private charity when palliatives are not provided by society, ought to be rendered impossible by the removal of the causes. Self-sacrifice must not be sought for as a good in itself, as good for the person practising it. The necessity for it indicates the presence of evil, and evils that can be prevented must have their causes removed, the burden of sacrifice, when such is required, being distributed as far as possible automatically and equitably over society, and not left to be shouldered by the sympathetic, thoughtful, and conscientious.

A social religion would arouse and cultivate enthusiasm for humanity and its welfare, and encourage pride in a just social system, in which everything is arranged to humanize and sweeten life. Social unity is required, based on the feeling of solidarity, on the feeling of all that they are integral parts of the social body, with well-defined and well-understood duties and rights.

This does not mean a gross materialism. Let us aim at securing for everyone the education and the leisure necessary for a full, healthy, and natural life. Let us learn about Nature and her laws, about man and his history. Let us cultivate our taste, not only for science, but for art, for the beautiful. Let us make all things beautiful, our towns and cities, their streets and public buildings, our domestic architecture, our furniture, our clothing, all the common things of life. But in order to obtain all these things we must aim at efficiency in the production of such wealth as we find conducive to our welfare, while having such conditions of work that, as far as possible, all can take that pleasure in it which is essential for a desirable life.

• All this must be, not for any privileged class, but for every member of the community, not for any privileged people, but in the interests of peace for all peoples. All must keep close to the realities of life. Work is the first law. There can be no life without work, save parasitic life, and that must be rendered impossible. All able-bodied persons must work for their livelihood, and take their share of the work necessary for the maintenance of the crippled members of society, the only adults who have the right to draw unearned income. Private ownership of the means of production with its anarchic economics must give way to collectivism and co-operation, the law of the jungle to human ethics.

The just return for work must be carefully and scientifically ascertained, and not left to the higgling of the market, or, as expressed in highflown terms, to the operation of "economic laws". The guiding principles must be ascertained and rigorously applied. It will not do to indulge in vague appeals like the following typical pronouncement made after the War by the chairman of a firm of soapmakers who was assistant of the late Ministry of Reconstruction :—" Labour and capital in the future must work hand in hand for their mutual benefit, and should yield to their master, Industry, the best that in them lies for the promotion of the common weal of the nation. Neither can do without the other. Capital is essential in order to provide the means whereby labour, which freely gives its best, will receive just and fair wages. In return labour will not grudge a fair return on capital, and any surplus beyond these two charges in a business should be for the benefit of all those who are interested in the industry."¹ This does not forecast reconstruction, but only the renewal and re-establishment of the old system, with a few sops thrown to Cerberus. There is no sound guiding principle to be found there. It might be the shameless *laissez-faire* of the old Manchester school, encouraging the employer to plunder the public as much as competition will allow him, but recommending him, as a concession to the new spirit, to bribe his workmen, with a promise of a share of the booty, to work hard and uncomplainingly. This is simply the erection of expediency of the worst kind into a principle. No real progress will be made on these lines. Inquiry must be made into the meaning of "a fair return on capital". What is a fair return, and why is it "fair", what is its moral justification? Furthermore, what is "a just and fair wage"?

¹ Speech reported in the *Daily Mail* of 23rd February, 1918.

These questions surpass in grave importance all others without exception, and until they are answered correctly and fully, there will never be industrial peace; further, war will never cease, for only by their solution can be reached the determination of the true principles of property-holding, not only private and national, but international. These problems, involved in the relation of capital and labour, are fundamental, and with their solution nearly all other problems affecting social life, being subsidiary, will be settled.

It is necessary that all classes should take part in this task, with the single-minded purpose of "doing the fair thing", of "playing the game". If some should come to the conclusion, as they must, that they have up till now held a position of privilege, let them be magnanimous enough to be ready to relinquish it when the ways and means of the great change have been worked out, and let them help to bring this about. With the rank and file they have faced the common danger in the face of the enemy on the battlefield, and have gloried in it. What they can do in war they can do in peace. Ability and character will always lead, and in leading serve. This is the great reward. Desire for economic privilege betrays the petty mind and the mean soul of the huckster.

Disaster looms ahead if the privileged classes hold out blindly and stubbornly for privilege. If they do, there will beyond all doubt be in the end a revolutionary explosion, which will benefit none, and will injure all. It is utopian to expect that the men who have fought for their country, and have suffered torments for its sake, will not insist for themselves and their families on what is assuredly their right, an equal share in the land and industrial capital of their country, which can only be achieved by collectivization, the right to steady work, the full value of their labour undiminished by the deduction for other persons of unearned income in the shape of rent, interest, or profit—in short, the right to a full humanizing life. Again, if those of the privileged classes who are workers do not assist in the abolition of privilege and in the reconstruction of society on the basis of justice, their education and experience will be lost for this work, and the consequences will be disastrous. The goal may be reached without their aid, but without it the transition will be longer and more painful to all. Many blunders will be made, and many wrongs done.

Equally disastrous would be the consequences if the masses should be unable to restrain their impatience and exasperation,

and should attempt to overthrow the present system without having a clear ideal and a practical constructive policy. It will not avail in the serious work before them to trust to the mechanical repetition of catch phrases. A cry like "Government of the people by the people for the people" sounds well, or one like "Nationalization of the land and the means of production, distribution, and exchange", but it has little value in constructive work, if the people do not know the true principles of equity, government, and social organization, and have not first devised or thought out the economic framework that is the logical outcome of these. Without that knowledge the people may find by sad experience that democracy spells ruin. If human society is to be saved, the people must be educated in these principles and taught to guide themselves by them in their social, political, and economic life. Mere sentimentalism, selfish interests, passing whims and fancies, popular weaknesses, played upon by eloquent but shallow demagogues, who live to flatter the electorate, must be fought and overcome. Consequently, the most urgent work before us is to ascertain these principles, hold them fast, and build up in theory, and then in practice, a political and economic system on that basis. But unfortunately this truth receives scanty recognition. The people and their so-called leaders are blown about by the wind of circumstance, and are satisfied to risk "muddling through."

In the most stupendous work man has ever had thrust upon him, the re-organizing of a complicated social system on the basis of equity, it is necessary to move with prudence. It is not sufficient to pull down, in the fond expectation that inspiration will be given to rebuild. Witness the Nihilism, Anarchism and Bolshevism in Russia. Plans must be drawn up beforehand, and thoroughly discussed and understood. The change must be made in a gradual, orderly, and constitutional way. It would be criminal and disastrous to act otherwise in any democratic state. A revolution by violence can only be justified in autocratic and oligarchic states, in which the will of the people can find no adequate expression. Even then it too often proves disastrous; and while that is the case when political change is the objective of such a revolution, disaster is certain when the objective is a fundamental economic change. The disadvantages of hurry and stress are great. To be done well and without injuring any person, social reconstruction must be undertaken with deliberation, full knowledge, and cool judgment in normal times. Perhaps

the opportunities we have already allowed to pass will never present themselves again. We are certainly now in the midst of a revolutionary period with all its dangers ; and we must face the situation with courage. Caution and prudence will prevent disaster, but progress can only be made through knowledge, energy, and the desire for social improvement. The task before us, humanity's greatest problem, the formation of the conditions of a rational social life, calls for, and is worthy of, our greatest and our united efforts. Man has been struggling instinctively towards that goal throughout all the ages. The blind unconscious effort, reaching slowly but surely towards it from the earliest times, is now becoming a conscious one. This struggle constitutes the tragedy of humanity, but also its glory. The task has been almost too great for man to carry through. Nevertheless, great as is the task, heavy as are the odds, let us do all that in us lies to accomplish that which above all things is most worth doing.

CHAPTER II

INDUSTRIAL ORGANIZATION

INDUSTRIAL organization in modern civilization must in future be such as will yield with the greatest efficiency and economy the full quantity of wealth the people demand and are willing and able to work for ; and such as will secure to every individual his just share of the wealth produced by society with his collaboration. Moreover, the conditions under which the workers labour must be democratically controlled on principles that will secure their liberty of action in so far as it is compatible with the rights of other craftsmen and of consumers, as well as with the efficient conduct of industry on the grand scale.

Until this ideal is realized, there will be ceaseless labour troubles and the danger of social upheaval. Reasons based on the principles of ethics have been given in an earlier volume (*Economic Moralism*) in favour of the abolition of all unearned income in the shape of rent, interest, and profit, by the nationalization of industry, and for the division between the workers alone of the whole income of society, with the exception of that portion necessary for the maintenance and extension of industrial capital and the maintenance of necessary social service—the support of the infirm and the unfit to work being secured by compulsory insurance. This division will have to be carried out strictly according to the principles of justice, and much thought will have to be expended on the problem, for during the long period of capitalistic private enterprise it has been entirely neglected. Prices must be fixed on an economic basis, so that they will represent the actual cost of production, all communistic subsidies, grants, and contributions being abolished along with their correlative taxation, which is now of alarming proportions.

The objects aimed at can only be attained in a democratic, unified, collectivist system, in which industrial capital and natural resources would be utilized by the workers of the

respective industries as trustees for the State under the supreme control of parliament. No other way has been proposed by which justice and economy and the fullest liberty of the citizen can be attained. Industrial and commercial enterprise based on private ownership and management of land and capital has had its day, and with all the backing of the old political economy has failed. State interference with industry, State control of hours, conditions of labour, wages, prices has been found to be vitally necessary, and is in large measure actually exercised. The countries of Western Civilization are being surely and rapidly driven by economic circumstances, more than by moral purpose, into Collectivism. But the hybrid system resulting from State interference with property and business privately owned and managed has become intolerable. It is neither Capitalism nor Collectivism, and while palliating a few of the evils of the former—in the most irritating way, and so encouraging a reactionary movement—it provides none of the advantages of the latter. State interference, however, cannot be dispensed with, and the evils resulting from its present form will only disappear as State ownership and management are substituted for mere State interference with capitalist ownership and management.

The general economic principles of a reasonable collectivist system established on an ethical basis having been expounded in my earlier volume, I propose now to consider their application in sufficient detail to show that the collectivist proposals are feasible and capable of solving in a simple way practically all the economic problems that vex the public mind and threaten the stability of society. As neither industry nor any other activity of economic life can be left to the control of irresponsible officials, any more than to the equally irresponsible control of private capitalists, every economic institution must be established on a democratic basis ; and the only possible way of accomplishing this seems to be the formation of each distinctive industry and profession into a guild, which will be the trustee of that part of the national property which consists of the industrial capital and natural resources employed in the industry, and will be responsible to the State for the efficient performance of its functions.

The necessity of conducting industry by guilds holding the capital in trust for the community has been emphasized by the Guild Socialists. These socialists have taken a leading place in constructive work, but they have not shaken themselves

free from the communist ideal, and have crude ideals about taxation, economic rent, fixing of prices, and certain other arrangements.¹ Much criticism can be directed against their

¹ Mr. G. D. H. Cole, perhaps the most prominent exponent of Guild Socialism, in his *Self-Government in Industry*, says:—"We may well have under Guild Socialism free transit, free bread, free milk, &c., as well as free education and perhaps a free Public Health Service. We may also have cheap theatres, libraries, and so on. We need not commit ourselves to the particular instances; it is enough to say that Society will probably give free all things which most men need in fairly equal measure, and cheap those things which it wishes for one reason or another, to see more widely used" (p. 286). The remarkable feature of this programme is that the institution of the only justifiable communistic service of those mentioned, namely, a public health service is qualified with a "perhaps". Although Mr. Cole professes to limit the application of communist principle, he has evidently no grip of the principle according to which the services that must be supported by taxation, and not by free payment, can be distinguished. He says.—"Society will probably give free all things which most men need in fairly equal measure". Where can the line be drawn? It is left to "Society" to decide. But "Society" needs guidance, and it gets none there. "Society will probably give", or "probably" not. Presumably whatever the majority or their representatives will decide is to be considered right. But if they give on principle free bread and free milk, why not all kinds of food and drink? If free food and drink, why not free clothing, with the latest Paris fashions for the women? Railway travelling is not what most men need or desire in fairly equal measure, but it is to be free. Houses and furniture come more readily into that category. Therefore they must be free. In short, Mr. Cole and his followers are rushing down the steep place and will perish in the wildest communism. *Communism—compulsory payment or taxation for commodities and services whether used much or little or not at all by the taxpayer, as opposed to the payment by the free citizen for what he desires at actual cost*—cannot but receive the severest ethical condemnation. Until it gets rid of this malady Socialism will be opposed vigorously by all thoughtful, justice-loving persons. The lack of ethical and economic principle, which accounts for the adhesion of the Guild Socialists to communism, is apparent in many of their political and economic proposals. Mr. Cole proposes to have prices fixed by a joint Congress equally representative of the State or consumers, and the Guild Congress or the producers. Interference of a body like this in a purely economic arrangement would be uncalled for and worse than ineffective. Prices ought, as advocated in this volume, to be fixed by the accountants in the head offices of the guilds, who would receive statistical information from all the works of the actual cost of labour, cost of materials, upkeep of plant, buildings, etc., in short, of all the constituents of prices. This is work for experts, and not for a popularly elected assembly. But Mr. Cole welcomes this arbitrary fixing of prices, as the happy result would be the provision of revenue to the State out of the profits of the Guilds in the name of rent for the use of the means of production. He says:—"Instead of raising its revenue by means of a number of cumbrous and costly taxes, which for the most part are unjust in their incidence, and

proposals, but their guild system is in a general way good, and details after all can only be perfected by discussion. They are hardly fair, however, in accusing other socialists who have not adopted their distinctive title, of advocating a socialism that would necessarily be bureaucratic. As a matter of fact, it is difficult to conceive of any kind of collectivism that could be worked in any other way than through guilds on a democratic basis. It is the only system that seems practicable when one tries to think oneself into Collectivism. The merit of Guild Socialists then lies not so much in their advocacy of the guild system as in their recognition of the urgent need for constructive theory, and in having the courage to look ahead and try to think out the economic framework of Socialism. It can safely be prophesied that no sure progress can be made until we see our goal clearly before us. Mistakes may be made in our reasoning on theoretical questions, but these may be discovered in time, and certainly will be corrected when we find ourselves up against hard facts.

It is necessary then to consider the structure of the Guilds, their internal or domestic arrangements, and their relation to consumers as well as to the government, executive and legislative, as representing the community. Whether what might be regarded as a sub-industry should be established as an independent guild would have to be left to the decision of those with a practical knowledge of the whole industry of which it might seem to be a section or subdivision, such matters being of no importance to the individual worker, whose rights would be secured in any case, but only for the economical and efficient conduct of industry. In the case of such industries as produce two or more products simultaneously, main products and bye-products, the costing and accountancy would be more complicated, and it would be difficult to estimate in what proportion the labour and capital expended in the whole process should be charged against the different products ; such productive units would, for management and

often easily evaded or passed on to others, it (the State) will demand a lump sum from the Guild Congress upon which, and upon the various Guilds, the business of collection will fall." As is shown in this volume, no rent charge for industrial capital should be made in prices. It is morally unjustifiable to levy taxation in such a way, because it means that the consumers of a taxed commodity have to pay more to the fund for common purposes than those who use less of the commodity or none at all. For that and other reasons it is contrary to the collectivist canons of taxation.

other working purposes, be organized as part of one guild. The object would be to group together all the factories, workshops, or other productive units engaged in the manufacture or production of the same kind of product or joint products, as a distinctive industry organized as one guild. The number of guilds would therefore be large. But this is not objectionable. The guild system cannot be worked except by keeping distinct each industry as thus defined. Some Guild Socialists seem in favour of linking many industries together into great federations, to which alone they would accord the title of "Industry" and official recognition as "Guild". For the purposes of economy and equity this would be unworkable, and no sufficient reason has been adduced for such amalgamation.

The separate productive establishments or units of the industry or guild would each have to be organized and managed according to technical requirements on lines laid down by the general board of management of the industry, the conditions of labour being arranged according to well-defined principles embodied in acts of parliament. All these establishments would have to be combined as a co-ordinated whole for the purpose of supplying the demand of the community for their product or products, both as regards quantity and quality, as economically as possible, and at prices based on accepted principles of costing. There must, therefore, be a staff for the purpose of co-ordinating the efforts of the guild as a whole, and also one for each establishment to perform a similar function in its restricted sphere.

The members of these staffs, who would take the place of the business managers and their assistants under Capitalism, would not be economically or socially superior to other workers in the guild. They would only differ functionally. All the workers would have their own technical functions in production, which would be equally honourable and necessary. Every worker in the industry would be incorporated in the guild of the industry. But there would be workers of many different crafts employed in the guild, and the workers would also be members of their respective craft unions.

The functions of the general co-ordinating staff, which would be under the immediate supervision of the central board of the guild, would be numerous. After considering these functions we shall be better able to discuss the composition of the board and the manner in which the members would be appointed, as well as the extent of their powers.

We shall then also consider the influence that each individual worker in the guild would be able to exercise over the working of the industry and the conditions of labour as they would affect him.

The central board would be responsible to the government, as representing the community, for the production of the commodity or commodities required by the community. It would have to set the wheels in motion, and keep them steadily going. It would have to ascertain the demand, and employ a sufficient quantity (and no more) of capital and labour to be kept in constant and steady operation. It would have to distribute the orders according to the capacity of the industrial plant in the various districts, and aim at having its industrial units placed for the most economical production and delivery of the goods.

It would have to arrange for the upkeep and good order of all the buildings and industrial plant in its various establishments.

It would have to introduce the best and most economical means and methods of production into every one of its industrial units, and maintain a special research department for this purpose.

It would have to audit the books of its industrial units, and carefully compare the output of each with that of each of the others, as well as the cost of its product, for in the general interest it would have to maintain efficiency and economy, and insist on the attainment of the standard of quality and cost.

It would have to fix prices, strictly according to cost. Prices, as will be seen later, would include cost of labour and materials, depreciation, insurance, and other necessary charges. The price of an article would be the same in every part of the country. In order to distribute agricultural and mineral economic rent equitably, the average cost would be charged; and by charging transport expenses on all goods against the exporting industries of the districts importing them, the equitable distribution of economic rent arising from the relative advantages of geographical position would be secured.

It would have to issue general orders for the effective conduct and management of its various productive establishments, and adjudicate on the disputes and complaints that might be brought before it. In the case of dissatisfaction with its decision, and appeal being made to the law courts,

or legislation being passed, the central board would of course have to adapt its rules and regulations to the law.

It would have to intimate to its productive units the decisions of the national wages board as to the relative rates of pay and conditions of work for the different kinds of workers employed, and get them put into operation. Equitable treatment of labour can never be attained by the operation of supply and demand, by the higgling of the market, or agreements concluded between employers and trade unions.

It would have to be answerable to the government for its intromissions and the proper conduct of its business, producing all its books and all the information required by the government auditors. Important accounts and reports presented by it to government or parliament would be published; and all accounts would be open for inspection by branches of the guilds and the crafts and by local government bodies, such as town and county councils, whose main work would be the conservation of the rights of their constituents in economic matters.

Turning for the moment from the central board to the separate industrial units of the guild, we find it probable that the chief difficulties would lie in the arrangements for the industrial organization and discipline of the various craftsmen. It would be desirable that all such arrangements should meet with the approval of the members of the guild. Substantial approval would probably be gained by the substitution of general laws enacted by responsible and constitutionally appointed authorities instead of autocratic edicts of irresponsible exploiting employers, and by the institution of a system of appeal to similarly constituted courts for the settlement of disputes arising out of the application of these laws to working hours, pay, and the quantity and quality of the work.

There is now a demand on the part of working men and especially of their leaders for a share in the management of their industries, or rather of their immediate employers' businesses. What they exactly mean by this it is difficult to say, for their views are in a fluid state. Probably the object is to have disputes about labour conditions dealt with and settled in some kind of democratic way instead of by the employers alone. Certainly it does not seem likely that working men can be of any use on the commercial side of the business, which like other technical work requires special

training. General management, the pushing of business, the watching of markets and prices, the keen bargaining with sellers and buyers must be left to experts. But most of that work will disappear with commercialism, private enterprise, and competition. The matters of general interest to guild members will be mainly the problems of discipline, pay, hours, and other working conditions. As we shall see, the standards of quantity and quality of work together with the relative rates of pay and conditions of labour would be fixed by a national wages or remuneration board, while such matters as prevention of unemployment and the length of the working day would be settled by a national employment board, all according to well discussed and generally accepted principles drawn up and passed by parliament. To deal with grievances considered legitimate by the craft unions concerned, there would be courts of appeal. Consequently there would be no opportunity for the exercise of arbitrary power by managers or foremen, for although they would have the right to direct labour in its tasks and have their orders obeyed, they would have to respect the rights of labour settled by the boards mentioned. Industrial troubles would presumably be few in such a system.

Management of industrial establishments by committees elected by all the workers would be sure to lead to disaster. Every guild and every one of its industrial units and departments must be managed by the most capable men to be found, appointed not by mass meetings or plebiscites of workmen but by senior experienced men. As every kind of work should be done by those possessing the requisite knowledge and skill, the technical work of co-ordinating or management must be left to experts, each entirely responsible for the work he has to do. Management by committees tends to lessen the sense of responsibility in the individual members. It is inefficient and wasteful, and is advocated in the mistaken belief that it means democratic control. It is absurd that persons should be elected to do a certain kind of work by all the members of a guild, few of whom would know anything about it or about those they were voting for. It would be as absurd to elect in this way a mixed lot of persons to attend to the co-ordination or general management of an industry as to appoint in the same way a similar collection to superintend and manage the technical processes in a foundry or in chemical works. Each kind of work requires its specialists; and the experienced workers in any industrial department are those best fitted to

elect the officers, from foremen to managers. Election must be on the basis of natural fitness. Efficiency must be the first consideration ; sufficient tests must be devised, which must be passed by all persons before appointment as officers of a guild ; and all these would have to pass through the lower ranks of their respective crafts. If any such officers proved to be incompetent, they must be removed to work they would be capable of doing well. If the output of any department suffered in quantity or quality owing to lack of skill of a departmental manager, that official would have to be transferred to more suitable work by his superior officers.* .

The powers of all officials or officers would be limited ; and there would be a growth of bye-laws resulting from the suggestions, criticisms, and complaints passed on by the craft and guild unions to the central board of the respective guilds, and from the negotiations concerning such matters. A breach of these bye-laws would be a serious offence. The rank and file would have the opportunity of criticism in guild and craft meetings, and of formulating and sending complaints to the higher management or central board, and in the case of unredressed and serious grievances, even of raising the matter in the law courts, because the rights of individuals and associations of individuals in the guilds would become more and more clearly defined and inscribed in legal enactments. It is clear that grievances arising in connection with the industrial arrangements of guilds cannot be settled by a simple majority decision of a workmen's committee or by a mass meeting of workmen. They must be considered and settled by the most experienced men of the guild, with due regard to the interests of the whole community.

The central board must ascertain the quantity of the product or products the guild would have to supply, so that the requisite amount of capital and labour could be arranged for. At any time this information might be obtained from figures that would be supplied by the factories or productive units of the guild ; and on the nationalization of an industry it would have to be got by the central board in this way. Afterwards when the system was in full operation, the central offices would have the figures in their own books, for the orders would be placed with them or their sub-offices. On the nationalization of any industry its factories would have to supply the figures for some years previous, and their managers would report on the fluctuations in demand in the past, and give their views as to the probable fluctuations in the near

future. In most industries it would likely be found that, although the production of individual factories, workshops, or mines might have fluctuated considerably owing to competition between the different capitalist owners, some having orders snatched from them by others, the total output would be very regular. However that might be, the collection of these statistics would be of the greatest importance for economy of production, avoidance of overproduction or underproduction, and for the prevention of unemployment. The central board of the guild or industry would arrange for the collection and tabulation of these statistics. While ascertaining thus the wants of the community, it would have to pay particular attention not only to quantity but to quality and variety, so that the individual tastes of the consumers might be gratified. Normally this information would be conveyed to the producing guild by the distributive guild, which would retail the goods and therefore come into close contact with the purchasers. The board would have to arrange for the control or checking of the quality of the output, which would have to attain a recognized standard, and would also have to be subjected to the criticism of the distributive guild, which in case of disagreement would be entitled to appeal to special tribunals, or, if necessary, to the courts of justice.

It would thus be one of the functions of the central board to survey the whole field of the industry, and control all its productive powers with special regard to economy and efficiency. Its parallel under Capitalism is the managerial or business staff. But commercialism would have disappeared. There would be no inducement to exploit the workers or to cheat the buyers. There would be no need for trickery, or attempts to deteriorate quality, in reality though not in appearance, in order to cheapen the product and so catch the market. There would be no need to tout for business. The orders for work would be brought by the distributive guild automatically to the producer. The managerial or business department of each guild would be the co-ordinating, controlling, accounting section, the accounting being specially important for calculation of costs and prices. But the managerial and business clerical staff would be very much less numerous than under Capitalism, in which every firm requires a large staff to assist it in its conflict with competitors. This would be a considerable economy.

What is now erroneously called the "technical" side of industry—for general managership, accounting, costing, and

clerical work are really just as "technical" as chemistry, engineering, or brewing—will come into its own. At present it is the commercial man who takes charge, and is all-important and autocratic. He is the man who feels his way about the world, makes bargains, gets orders, sells products, and struggles for the existence of his business. An enormous amount of ability is expended on this work under Capitalism, and, although this is necessary in the present system, it is, from the point of view of the collectivist, wasted. Fortunately all this would be unnecessary under Collectivism. This is what anti-socialists like Sir Alfred Mond cannot understand or will not admit. The so-called "technical" side would be composed of many departments each with its distinct function. The co-ordinating staff would never interfere in the purely "technical" work. That would be left to the specialized workers and their chiefs. It would, however, be the duty of that staff to criticize the product in the interest of the consumers (on whose side would act also, if necessary, the distributive guild and ultimately various public bodies and organs of publicity), to compare production and cost in the various producing units, and take steps to have errors in methods discovered and rectified. They would have the right and the duty to insist on the required results, but would leave the technical departments to work them out. Inspectors or supervisors, who would be chosen from the most experienced men in the industry, would be employed by the central board to superintend the various departments of the producing units. In the event of failure of any of these units to attain the standard, the central board would have to investigate further, pronounce judgment, and provide the remedy.

The technical training of workers must be given either in technical schools or colleges, or in the workshop or factory itself, in either case at the expense of the industry. These colleges in most cases would be used by several guilds and maintained at their joint expense. In order to encourage progress in the industry, honours and rewards should be given by the central board for discoveries, inventions, and improvements in methods of working. Opportunities for testing these must be given, if they should be deemed practicable by a board of specialists. Steps must be taken to prevent any new and valuable idea from being stifled. Superintendents of the central board would organize research work for the improvement of the productive processes of the industry, but they would co-operate with the research departments of

other guilds engaged in cognate work, and a joint or interguild research board would be formed, all expenses being borne by the respective guilds in proportion to the capital employed in the department that was to receive benefit. All expenditure on such work would be charged against consumers in the prices of products. Such expenditure could not be automatically controlled or checked like that on all the other work of the guilds, which would be mainly routine work and could be measured, but clearly some limit would have to be set to it. What body should control it, and on what principles should they do it? Ought it to be left to the directorate of the central board, who would have the control of the various departments of the guild? Although they would probably act wisely, nevertheless as there would be a possibility of sinecures emerging in connection with research work owing to the difficulty of measuring the efforts by the results, a possibility which would be absent in most of the other work of the guilds, it would be necessary to watch such expenditure narrowly and therefore to have their decisions supervised by another authority, perhaps a special government board of experts, having no personal contact with the officials concerned in the research work. Clearly dangers arise from the endowment and support of abstruse scientific inquiry and experiment. The economic advantage derived from this in the past has been very great, and considerable latitude would have to be given to the research boards, but they would have to justify expenditure by results, or at least by actual work done along lines recognized as likely to lead to success. Unofficial societies or individuals would be entitled to a substantial payment for any invention or discovery of value to the community and made use of. The fostering of technical progress might receive the special attention of unofficial technical societies of the crafts, perhaps each with its journal and public meetings. These societies would be distinct from, although supplementary to the official scientific, technical, and research departments of the guild. Every worker must receive such training in citizenship, in social morality, as will induce him to aim at using all his technical skill to maintain and improve the quantity and quality of the product of his guild with the smallest expenditure of labour and discomfort, i.e., at the smallest "human cost", to borrow Mr. J. A. Hobson's excellent term.

The guilds, as we have said, would hold the capital of the respective industries in trust for the community, and each

would be responsible to the government for the conduct of the industry and for the maintenance of the capital. What guarantee would there be that buildings, machinery, implements, materials, and all the various forms of industrial capital would be maintained in good order, and used in an economical way? What guarantee would there be that the output would be sufficient for the time expended on it and paid for? But first how is such efficiency maintained under Capitalism? The small industry of the days of Adam Smith, when the employer and proprietor could have everything under personal observation, has almost entirely passed away, and the grand industry with its thousands of shareholders scattered over the world, and its paid managers and directors, has taken its place. Some of the latter do indeed hold a large interest in the concerns they manage, and are supposed to be therefore in a position to ensure the efficient and economical conduct of their respective undertakings. But when closely examined the actual position is found to be that it is a physical and mental impossibility for these men to supervise all the intricate working of their companies. All they can do is to employ men who have practical experience and are sufficiently recommended. But this could also be done by salaried State managers, and just as effectively, indeed almost certainly more effectively. The former can, it is true, dismiss or reduce a subordinate who is proved incompetent. But the State manager could transfer such a person to work he was able to do; and he would have no temptation to nepotism, which is so common under Capitalism, for one office or occupation would be as good as another—if there were higher pay it would only be as compensation for harder work. The detection of incompetence could easily be obtained in the case of manual work, for the output in quality and quantity can easily be measured. There might be some difficulty with clerical work, accounting, and supervising, with all work in fact which it is impossible to test by a visible daily or weekly output, and which is paid for on a time basis. Unsuitable appointments might be made in such cases, but, if a considerable period were taken, the number of workers required in proportion to a certain amount of business could be closely estimated, and if in any establishment there was evident over-staffing, a general reduction of pay in the department concerned could be made, until the workers concerned did themselves discover and disclose the remedy.

A system of control would be instituted for the purpose of securing efficiency. The merits of the capitalist system in this respect have been grossly exaggerated, and it has been taken for granted that, owing to the want of a few men with large monetary interests, industry under Collectivism would be badly managed. But the fact is overlooked that the mere holding of a large interest does not confer upon a man the capacity to manage it well, and also the fact that under Collectivism, apart from the control referred to, efficiency would result from the necessary growth of corporate responsibility for and pride in a national work from which all profitmaking for private pockets with its atmosphere of distrust, suspicion, and injustice would be eliminated. Unfortunately this responsibility cannot be developed to any great extent when only an industry here and there is nationalized, for it is felt that, so long as the greater proportion of industrial undertakings are in the hands of private owners who are interested in making as much profit as possible for their own account, most of the saving that might be effected in the nationalized industry would be actually for the benefit of the capitalist class. This public spirit will, however, increase exactly in proportion to the extension of collectivist undertakings. The principal difficulties in the conduct of an industrial undertaking in the present system are commercial—the finding of markets, the buying and selling, the careful watching and foreseeing of the movements of prices, the constant struggle with competitive firms. All these troubles would be absent under a co-operative, collectivist system, with its market sure, with its materials supplied at one current price, and its products sold in the same way, and with the complete absence of competition. The industrial workers would be able to devote all their attention and energy to the technical side, that is, the really productive side of their business, and would not have to combine with their abilities as productive workers the virtues and the vices of the business man of Capitalism, qualities which must be innate or acquired if he is to achieve success. Many a valuable productive worker is lost to the community to-day owing to his lack of these.

Every guild would have its factories and workshops or centres of work in different parts of the country, and each of these would be tested at the central offices by its results, and compared with the others. There would be three conditions necessary for economic success. (1) The capital would have

to be maintained in good order and condition, and be carefully and economically handled ; (2) the quality of the work would have to reach a certain standard ; (3) the quantity of the output would have to bear a recognized relation to the capital employed and the labour time expended or money paid for it. If these requirements could be secured, the system would be a success. Under Collectivism these requirements would to all appearances be easily obtained.

Let us see then how these three conditions can be obtained. The first, that of the maintenance of the fixed capital in good condition, would be insisted on by superintendents or inspectors who would supervise that capital in all parts of the country on behalf of the central management of the guild. They would have to report to the central management on the conditions of the fixed capital and the manner in which it was being handled and maintained by the local managers, who would, if necessary, be advised, reprimanded, or otherwise dealt with. As technical advisers they would give instructions to the heads of the technical departments. Any neglect or improper handling would be shown by the increase of costs.

With regard to the second condition of success, we have said that the raising of the standard of quality would have to be aimed at, and all efforts on the part of any member of the guild to do this encouraged, all discoveries and inventions in technical work substantially rewarded. How would the standard be fixed ? It would be fixed by the central board of the guild who would be influenced by public opinion. At the beginning of Collectivism the best quality to be found under Capitalism would have to be taken as the standard, and continual efforts made to improve it. In any case, inferior work, having necessarily to be sold at a lower price than the best, would have to be paid for at a correspondingly lower figure. It would, therefore, rest with the workers responsible for turning out inferior work to improve their workmanship or suffer the consequences. Advice would be given, and instructions issued, by the general superintendents of the guild. If better workers could be got, the inferior workers would in the economic interests of the community have to be transferred to work for which they were fitted. Skilled and experienced persons would have to examine and grade all work. There seems to be no ground for supposing that products would be inferior to those produced now. On the contrary it seems likely that they would be much superior.

Indeed there exists now the greatest dissatisfaction with what is produced under competitive capitalist conditions. "Cheap and nasty" has long been the description applied, and now the expression "dear and nasty" is more generally correct. Quality has steadily deteriorated. No detailed proof of this is required. It is the personal experience of every consumer, and it has long been the subject of complaint. It ought to be kept in mind, too, that the bad quality is generally traceable, not to the actual wageworker, who has to use the materials provided and work according to directions, but to the employer who aims at producing for profit and not for use. He, rather than the wageworker, is responsible for scamped, shoddy, jerry work. The superficial appearance of quality is aimed at, not the substantial reality. Houses, furniture, clothing, foodstuffs—there is little that is not covered by the condemnation. There is every temptation under private, profitseeking enterprise to deceive and cheat. Under national ownership and co-operation, with capitalist greed non-existent, the natural instinct of the great majority of workers to turn out good work would have free play; and for the others there would have to be, as we have seen, deductions from their pay for inferior work, in justice to the consumer who could not be expected to pay the usual price for it; and this would be a powerful inducement to improve. All the checks on inferior work possible under Capitalism, and other more effective checks, could be applied under Collectivism.

Neither does the third condition of economic success seem to afford any difficulty. While good work would be required, it would have to be done within a certain time. Unlimited time could not be allowed, at least would not be paid for. When machinery and expensive tools are used, involving wear and tear, and cost of engine power, the output must bear a reasonable relation to the cost of the capital involved, although in the absence of interest on capital there would be no need to run machinery day and night. It is absolutely necessary that the workers using such capital should take the full value out of it while it is in action. Unless efficient they must be replaced by others. In the case of handworkers, there may be no reason why they should not be allowed to linger over their work, but they would not be paid for the full time they spend on it. A standard would have to be fixed, that is, a certain amount of work of a fixed quality would have to be considered the standard output in a given time, and that amount would be paid for at that rate whether the worker

had taken a longer or a shorter time to do it. With such a standard fixed—and the fixing would be the work of a national remuneration board, as will be explained—the ordinary control or check would ensure the true value of the work being paid to the worker and charged to the consumer. This is simply the application of what is now called task or piece work to all cases in which it is possible; and the objections to this, which are in many cases valid under Capitalism, such as in the case of “speeding up” without regard to the effect on the workers, would not then hold good. The total quantity of work required from any factory or workshop or other productive unit would depend on its capacity. As already pointed out, there will be no loss of interest during the time machinery is not in action, and there would be little economic advantage in running machinery night and day. Machinery will not deteriorate if unused for a portion of the twenty-four hours, but there will be waste if it does not produce the greatest output it is capable of during the actual time running—waste, not only of the machinery but of the motive power. There would be a certain loss in generative power, in deterioration of furnaces, boilers, and similar plant during the daily offtime, also in the depreciation of buildings, but this would be more than compensated for by the comfort and health of the workers got from their working hours being confined to a reasonable working day without night work. At the same time we cannot overlook the fact that in the case of industries in which machinery is kept running day and night continuously more machinery would have to be installed to turn out the required product, unless the workers would agree to night work and the “shift” system, on receiving of course due compensation.

An additional safeguard of efficiency would be afforded through every member of a guild having the right and the duty of criticizing when necessary any method of work employed, and the action of any official or board of officials. There would be workers possessed of sufficient public spirit to take the interest and the trouble, and they would not labour under any fear of victimization. Opportunity would be found at the meetings of the members of the guild and of the crafts connected with it. Under Collectivism, in short, “scientific management” would have full scope with proper safeguards, and it would be exercised for the benefit of all, instead of, as at present, for the aggrandizement of the wealth of the capitalists.

Difficulties in industrial organization under Collectivism, it has been pointed out, would arise only in connection with the officering of labour, with hours and pay, and the relations between the workers. The tendency at the present time is to exaggerate such difficulties under Collectivism in consequence of our experience under Capitalism. The conditions under the two systems are entirely different. Under Capitalism there is a mad scramble between workers and capitalist employers for the lion's share of the product. The one class tries to benefit at the expense of the other, and sometimes they combine to exploit the consumers. Carlyle's parallel of the swine round the swill-trough unfortunately still stands vividly true, and will do so until industrial capital becomes national property. There is no limit to the greed of the capitalist, or, to state it moderately, of some capitalists. Witness the huge number of large fortunes, reaching in some cases to millions per individual, figures flaunted in the eyes of working men week by week in the returns of the estates of deceased persons. Display of wealth, luxury, and wanton extravagance is noted by the working man, and he has for a considerable time been asking why people who have done little or nothing to produce the wealth they consume should be entitled to it in such prodigality, while normally the producer is restricted to a bare living, and is always haunted by the nightmare of unemployment due to economic causes or personal ill-health. The unreason of it all infects the working classes, who, finding they have considerable economic and political power, decide to use it. Sometimes they demand increase of wages and reduction of working hours without regard to economic possibilities; they overlook the fact that the amount of wealth distributable as income is exactly what is produced by work; but so long as the wealth of the privileged classes is in obvious abundance, the working classes see no reason to limit their demands. Capitalist employers have never conducted their businesses on the basis of equity or for the general good, but simply on "the good old plan", and have all along done everything to keep wages as low and working hours as high as possible, often when to do so would really result in economic loss. With them might is right. And now their chickens have come home to roost. The working classes have taken a leaf out of the capitalists' book. The Bolshevism of the upper classes, it is to be feared, will be replaced by the Bolshevism of the lower classes. The strike

troubles of the past seem trifles compared with the ominous strike troubles of the present and those likely to occur in the immediate future.

No wonder, then, that the difficulties of Capitalism obsess the mind when it regards Collectivism. It cannot but project them into the future. But under Collectivism—which the privileged classes, had they been wise, would have gradually introduced in order to avoid that which will prove to be a greater evil from their point of view, as well as from that of the general community—these questions would be settled almost automatically. Take the case of working hours and pay. In an economic system based on ethical principles, and not on the pull-devil-pull-baker principle, the chief difficulty would lie in the settling of the equivalence of work and pay in different trades and professions, for there would be no class drawing unearned income from the workers. It is quite evident that the same rate of pay will not, and ought not, to prevail in all crafts and professions. The work in some is easier and pleasanter than that in others. The miner, the stoker, the smelter, the ironfounder have more disagreeable, exhausting, and dangerous work than the clerk, the shop attendant, the joiner, or the gardener. This difference must be expressed in the pay for any given time in which the output in quantity and quality is that which is normal in the occupation. Let the conventional unit of currency be what it may, whether an hour, a franc, a dollar, or a pound sterling; the miner, in order to be in a position to get the average income with shorter hours (if that be the way of equalizing conditions) will receive say $1\frac{1}{2}$, $1\frac{3}{4}$, 2, or whatever the rate may be, as against the joiner's 1 or $\frac{3}{4}$. The equivalence would be determined by the wages or remuneration board, which would have to be composed of the most able, experienced, and fair-minded persons to be found, who would institute scientific tests, examine the representatives appointed by the various craft unions, and collect all the information necessary to enable them to form a judgment.

The craft unions (not the guild unions—each of which would represent a distinctive industry in which workers belonging to different crafts would be combined for a particular purpose—but the craft unions each of the same kind of workers which would have their members or fellow-craftsmen distributed among many guilds)—would regard it as one of their chief functions to bring before the wages board all well-grounded complaints that would justify a re-adjustment of

pay or conditions of work. Each factory or workshop, in fact every industrial unit, would have a branch of each of such unions as there were distinctive crafts, trades, or professions banded together in it. These branches would form part of the district union, which again would have its central or national organization. Such craft unions would necessarily differ in an extraordinary degree from the trade unions of the present day. As the antagonism between capital and labour would disappear with the nationalization of capital, and better economic arrangements would provide work for all, while unfit citizens would be supported at the public expense, there would be no organization required to fight employers, or to collect funds for strikes or for unemployed, sick, or crippled members. Strikes under Collectivism are almost unthinkable, for there would be no body of men intent on exploiting labour as capitalists are now. All the product of labour would go to labour—and to labour alone, not to manual labour only, of course, but to all kinds of workers. The only possible cause of trouble would be found in the difficulties of securing the ethical equivalence of working hours and pay and other conditions of labour between the distinctive crafts and professions, and even between the workers in each. But these difficulties would decrease gradually. In the early days the difficulties would, it is true, be considerable, but, as the workers would readily see, the inquiries would be conducted dispassionately by disinterested, judicially-minded persons with expert knowledge, and with a wider and more thorough knowledge of the subject than simple members of a union. Moreover, their decisions would be constantly open to revision. The unions would represent the case of their members before this tribunal, and there is reason to believe that with no capitalist interest to block the way cogent argument would be more effective than strikes in attaining the objects desired.

Evidently, then, the only disputes would be those arising in connection with the relative conditions of labour in different trades, crafts, and professions, and they would have to be settled in accordance with ethical principles. The ratio of pay once settled, the value of commodities it would purchase would depend on the general productivity of labour. Fluctuations in pay, except as willed by the individual worker himself through working full time or short, or through exceeding or falling short of the standard, there would not be. There would be no arbitrary interference with labour conditions.

The standard officially fixed would be adhered to. On the whole, therefore, there would be little occasion for disputes.

The disappearance of the capitalist employer with his whole mind bent on the exploitation of the worker and the consumer, would have a reassuring effect. This effect would have its influence not only on the wider interest of craft unionism but on the domestic affairs of factory and workshop. There would be no resentment felt when the foreman, or the manager, or any industrial officer gave orders or instructions, for these would be recognized as being intended for the good of all and not for purposes of profitmaking. It would be recognized that co-ordination requires such officers, and that discipline and good order are as necessary in industry for purposes of economy, efficiency and productivity, as in an army for success in the struggle with the enemy. These officials—who in the matter of pay and conditions of work would be on a footing of equality with the other workers in the guild owing to the operation of the ethical equivalence of pay—would have questions of pay and working hours placed beyond their interference.

Disputes, it is true, might arise about the value of the work done by individual workers, about deductions made for inferior work, about the transference of incompetent workers to other work for which they were fitted. But in every factory or workshop or other industrial unit, there would be a guild court of appeal to which any worker therein could carry any grievance or complaint against any fellow-worker or any local official or officials, including the chiefs of departments. It would have to be composed of one or more of the most experienced members of every department, co-ordinating as well as technical, elected by the adult members of these departments. Any worker with a grievance would either lay it himself before the manager or request the factory or workshop branch of his craft union to do so. If his grievance were not considered well-founded, the matter would most likely be dropped, but if approved, it would receive the support of the branch, which if necessary would plead the case before the local guild appeal court. If the latter considered that there was reasonable ground for complaint, but could not get the manager to acknowledge or remedy it, it would be entitled to carry the matter before the central board for decision. If still dissatisfied, the local guild court could carry the matter through the district guild court to the national guild court composed of representatives from the district courts and the

national guild court could carry the case to the law courts or endeavour to have reform by legislation, as the case required. Similar action would be open to the craft union if the guild union refused to act, and to the individual worker if dissatisfied with both craft and guild. The greater number of such disputes would arise out of the interpretation of the general principles laid down by the national wages board just described, which, in so far as delegated by parliament, would exercise legislative functions in the circumscribed sphere of occupational conditions and pay. But it seems likely that in very few cases would this be found necessary. Most of the disputes would be settled on the spot, and such as might be carried to the cooler atmosphere of the superior guild courts, the national unions, and the central boards, would be discussed reasonably and settled justly, seeing that the higher guild officers would have no personal interest to serve in acting otherwise.

Rates of pay and working hours relative to those in other trades or crafts being settled in the way described, other disputes arising in the ordinary routine of work and business would, if pushed to an extreme, be carried in a similar way to the courts of appeal of the craft union or the guild concerned. Discipline, involving obedience to orders given by the proper officials, must be maintained, as it is an economic necessity ; but safeguards against unjustifiable treatment of workers by these officials must be, and in the way suggested can be, provided.

Everyone in any guild must have the right to make suggestions for the better conduct of the work to the proper quarters, and these suggestions must receive careful consideration. There is no reason why, at the meetings of the local craft unions and at the meetings of all the workers of a guild engaged in a distinct productive unit, any procedure should not be criticized and improvement suggested. The sense of responsibility of all the workers would be thereby strengthened. Each one would feel he was taking his share in the national work, and would feel it his duty to help to bring the work in his corner of the vineyard to the highest pitch of efficiency. *Esprit de corps* would be developed by the comparison of the cost of work done in the different establishments of the guilds, and would be encouraged by the public discussion of such questions. Any discrepancy would result from a difference either in the machinery or other plant used (and until it was found profitable to replace it, this would have

to be discounted), or in the workers themselves, that is, in their manual skill, technical knowledge or diligence, or it might be in the management. There would thus arise a healthy rivalry between the kindred establishments in each guild, and members of an establishment that proved to be inferior economically would be invited to discover the cause of the inferiority, if it were not patent to the superintendents of the guild. Emulation would replace competition. But what would probably have as great an influence, or in certain cases a greater influence, would be the effect on the pocket, for payment would be made to the worker on the basis of a standard product both as regards quantity and quality. The normal price would be paid to the workers for their product, only according to standard. If they were unskilful they would be the losers, and if the total quantity did not bear the standard ratio to the capital and labour engaged, all things considered, a deduction would be made from the pay of those responsible. If it improved, they would merit a corresponding reward, and would receive it.

Having considered the institutions required in a democratic economic system for the removal of grievances without interference with the discipline required in organized production, that is, the obedience to the orders given by the appointed expert chiefs, we must now turn to the manner of the appointment of these experts. In a democratic economic system capacity for office must be the sole qualification for it. No hereditary right, no nepotism, no toadyism or intriguing, no mere vaulting ambition must be allowed to open the door to appointment. In any craft, mechanical, scientific, professional, or administrative, the tyro must receive the appropriate technical education and training at the expense of the respective guilds, and the vacancies in the higher ranks must be filled by such trained workers as are adjudged after the necessary tests to be the best fitted for the posts. A system wherein pay is based on the "human cost" of the labour involved, would discourage and probably eliminate candidates like those who in the present system, attracted by the glittering prizes, win them more by "push" and cunning than by real ability for productive work. There would be no attraction of this sort. If high pay were attached to any post, it would indicate hard or trying work, and only those would be candidates who felt that they would like the work and that they had the ability and the energy for it. How are the ablest persons to be discovered and elected?

The capability of every worker may be more or less correctly estimated by his fellow-workers who are engaged in similar work, by those who may be called his superior officers, and by himself. A mistaken estimate is likely to be formed if the matter is left to the decision of only one of these parties. When a vacancy occurred, candidates might be called for. Each candidate would have to state his qualifications for the post. When candidates were nominated, their fellow-workers who were on the same plane could only testify as to their capacity for the kind of work they had been doing, and only those who had come into close contact with them in their work would be in a position to give such testimony. But they would not be able to say whether the candidates would be fit for the post, for without experience of it they would be ignorant of the qualities required. The more experienced workers, those on the grade to which the candidates aspire, and those in still higher grades, all of whom will have passed the lower stages, know the qualities required for the post, and those of them who have been in personal touch with the candidates in their work seem to be the only persons in a position to state their qualifications. With the information from these sources before him, the manager, or head of department to whom the power of appointment might be deputed, would be able to come to a decision. Sufficient tests would have to be applied. Managers and heads of departments would presumably be the ablest and most experienced of the workers, and having passed through all the grades inferior to theirs would be specially fitted to inquire into the qualifications of those selected by the lower grades. A probationary period would have to be served.

The central guild board would be composed of men drawn from the highest ranks of the various crafts in the industry. The board would perhaps be most fittingly composed of the chief officers of the various technical and administrative departments which would be all represented at headquarters. These high officials would have no privileges. Their pay would depend on the nature of their work and its "human cost". They would be the most experienced and most capable of the workers, and as "fathers" of the industry would in all likelihood be loyally supported by the rank and file. Their function, as we have seen, would be the general supervision of the industry, including the consideration of all grievances brought before them in the recognized manner. Each as head of his department would appoint all the higher

officials in his department, and would encourage them to aim at the greatest possible efficiency in the industry. He and a number of these higher officials would, after due investigation, and if necessary after consultation with other officials, issue byelaws and general orders for the proper conduct of his department of the business. The other members of the board would not interfere in such departmental management, although if any proposals were laid before them on which they were asked to advise, they would give their opinion ; and they would as a body make investigations into the management of a department should signs of mismanagement be shown by statistical figures or otherwise. If complaints about departmental orders or any other matter came before them through the proper channels, that is, through the guild courts or the craft union courts, or the town or county councils, the whole board would give that matter their attention. Any byelaw might be altered or repealed by order of the law courts or by act of parliament.

The guild then would not be managed by an ignorant, inefficient bureaucracy, but by the best men to be found in the industry, men acquainted with all its details. It would not have the faintest resemblance to what was too often found under stress of the recent war conditions, when officials of all sorts were placed in positions of power and control over industries, of the working of which they were ignorant, appointments frequently necessitated by the jealousy and suspicion of the capitalists in the industries concerned, who resented trade rivals being placed in positions of power with opportunities of acquiring exclusive and important business knowledge. The perennial cry of the capitalist press that under Collectivism a bureaucracy would batten on the people is ridiculous. There would be fewer bureaucrats under Collectivism than under Capitalism, they would be under control, and could not manipulate affairs to serve their own interests. Under Capitalism these private capitalist bureaucrats get all their own way and fill their own pockets. Capitalists and their hangers-on are more irresponsible, more tyrannical, and more expensive than it would be possible for a state bureaucracy to be. The former are beyond control, and the latter can be controlled.

Superfluity of officials need not be feared. With pay in every occupation fixed in proportion to the "human cost" of the work, there would be no special advantage in being a co-ordinating or management official rather than one of the

rank and file. There would be no overpayment, no sinecures. A man's choice of an occupation would depend on his tastes and abilities, not on the salary attached to it. The so-called responsible positions would be sought after by the man whom Marshal Foch calls "*l'homme supérieur, avide de responsabilité*". Therefore, what to-day are considered the higher positions, because they give opportunity for fortune-making, would not be competed for by hosts of greedy, foxy men of ignoble ambition. There would be no greater danger of overcrowding and shirking in these than in other positions.

Everybody would not be a member of a guild. Artists, clergymen, domestic workers, and others unattached to industries proper, would not as such belong to a guild, but if they chose rather to a craft or professional union. They would receive payment for their services from those for whom they worked. Even artists of great merit, popular preachers, and actors would not likely get very high payment, because in the public service inequality in incomes would be slight and strictly in proportion to the human cost of the labour, and the general standard would, owing to the force of public opinion, if to no higher motive, be acquiesced in by the small minority who were outside of the guilds.

Private property under Collectivism would be strictly respected, but would be confined within narrower bounds than to-day. Every individual would have the absolute disposal of his income, which would be available for the purchase of any kind of commodity the State or any private person produced or any service they performed. There would be no taxation for communistic institutions (except the very few that are necessarily communistic) as there is under Capitalism, or would be under the system of "free everything", which is the ideal of the communists, who after all are simply carrying to their logical conclusion the principles of taxation that are acted upon by the upholders of the capitalist system. Neither would there be death duties. In short, private property would be less interfered with than at present; and in fact the enjoyment of it by everyone to an extent never hitherto realized would be assured.

But how are these economic changes to be brought about? How can the transition be made without upsetting industry and dislocating economic arrangements? Whatever changes may be required, the greatest care must be taken that in the process there will be no suspension of the production and distribution of wealth, for such suspension means unemployment

and poverty, and leads to disorder and anarchy. Law and order must be preserved, and everything done constitutionally and peaceably, this for the benefit of all and especially of the victims of the present system. Capitalism itself, as predicted by Marx, by the formation of trusts and combines with monopolistic activities is organizing industrial forces on the lines indicated to a certain extent. All this is done with no altruistic intent, but for the benefit of the capitalistic classes.¹ Nevertheless, fortunately for humanity, it makes the way easier for the establishment of Collectivism. No obstacles should be placed in the way of such combines, indeed they ought to be encouraged. But the State ought to exercise a certain control over them, by representation on their central management boards, in some cases by the holding of share capital, which should be extended until the whole is national property, and by the control of wages and prices. The formation of industrial guilds composed of all the various sections of workers in any given industry, and guild courts of appeal

¹ We find that Germany even now is taking great strides in a somewhat similar direction. Mr Owen Wister in his book *Neighbours Henceforth* (p. 323) says.—“It may be said that among all the industries in which she excels, propaganda is at the head of Germany's list, the organisation of industry stands second, but still so high as to overtop anything of the sort in those countries which are her competitors. This organisation is being perfected every day; Germany's set-back has vitalised her energy, while the Allies has been slackened by their sterile victory. She has carried Trusts into higher terms, under the title Community of Interests Association, whereunder all productive factors, from raw material at the bottom to the finished article at the top, are gathered and co-related under a single management. This is known as the ‘vertical line’ system. For instance, if a company made telephones, it would acquire control of all the areas from which all the raw materials needed for a complete telephone are drawn—mines, forests—and also all the corporations which manufacture wire, or electrical apparatus, or fixtures such as hotels and offices use, switch-boards, everything necessary to a system in complete working order. Or again if coal is at the bottom and hardware of every description at the top of a vertical line of production, one huge hand of the Community of Interests Association grasps both ends and everything between, and conducts the whole work harmoniously, with the least possible waste and the greatest possible gain. Meanwhile, the workmen of Germany who carry on the physical part of the vast activity retain their habit of drill, have no use for strikes, and are satisfied with their state. Small concerns outside the association of giants have come to grief, and these cases have been adroitly used to convey the idea of a general collapse. ‘They will cheat you yet, those Junkers’. With such organised energy, it is not wonderful that industrial dividends went from eight to sixty per cent., and that a billion of profit is already invested in foreign securities”.

should be encouraged, all on the lines just sketched. Much can be done under Capitalism to prepare the way for fully developed democratic Collectivism. The work of nationalization ought to be commenced without delay. But not more than one industry should be dealt with at a time ; and we must take care that the enemies of Collectivism are not allowed to work that industry in such a way that Collectivism would be brought into disrepute. That is the greatest danger collectivists have to face. It would be a foolish, dangerous, and criminal proceeding on the part of the capitalist classes and their supporters, unless they have a more excellent way of rescuing the workers from the intolerable injustice of ill-paid economic servitude, unemployment, and poverty. And they know they have none.

CHAPTER III

UNEMPLOYMENT AND ITS PREVENTION

WHAT special scheme of organization under Collectivism would be necessary to prevent unemployment and the evils resulting therefrom?

One of the strongest counts in the indictment of Capitalism is its absolute failure to provide steady employment for all the members of the community. The sufferings of the unemployed have long been left to charity or to trade union effort to mitigate, but in either contingency they have been alleviated in a very insignificant degree. When unemployment is of alarming dimensions, public relief works are sometimes started; but although these have at times some show of social utility, they are nearly always mere makeshifts, economically unsound and of negative value in the economy of the State. Of late years insurance of a sort against unemployment has been introduced, but this is not a cure nor even a decent palliative and is not regarded as such. To discover a real remedy little has been done. The workers, ever haunted by the fear of unemployment, have been growing very restive. Nevertheless there has been no real desire on the part of the capitalist classes, who have had for so long the government of the country in their hands, to find a preventive, for it pays them in their individualist system to have a permanent reserve of unemployed, as this tends to keep wages low and profits high.

While it is not in the pecuniary interest of those who have hitherto really directed or influenced the affairs of the State, to make any change in economic conditions in order to prevent unemployment, it is not possible, even with the best will, ever to effect a radical cure in the capitalist system, because it is one which it is impossible to organize on its economic side for the common interest, as it is based essentially on private property in the means of production, and consequently on the conflict of individual interests. The evil can only be cured by making a fundamental change affecting the very basis of

the present social economy. It will repay us to inquire into this ; and we must therefore try in the first place to discover the causes of unemployment, and then consider the conditions necessary for the provision of steady work for all, in the modern world-wide economic system with its extreme division of labour and its industry on the grand scale.

It may be postulated that the wants of the members of any community, in so far as they are willing to work to supply them, determine the amount of work that might and ought to be done. Therefore it is absurd for people to say that there is not enough work to go round. This generally accepted view, in so far as it has any basis in fact, is a condemnation of the economic conditions of Capitalism. Potentially, work for the people is exactly in proportion to the wants of the people, and work for the individual exactly in proportion to his wants. But actually in the present economic system, as we all know, this does not eventuate. What prevents it ?

Primitive man had no fear of unemployment. His wants prompted or rather compelled him to work, and in order to supply them he could hunt, fish, tend his cattle, or cultivate the soil. He had the means of production in his own hands. In modern times the wants of the individual are just as insistent, but in many cases there is too often no opportunity to supply them. The means of production are not in his own hands, but belong almost entirely to a comparatively small section of the population. Primitive man supplied his wants himself. The modern civilized man has his wants supplied by men scattered over the globe, but only on condition that there is an effective demand for the particular article or service in the production or performance of which he has specialized, and also on condition that those who possess the means of production can make a profit by the sale. Now what effective steps are taken in the capitalist system to ensure that any particular article should not become a drug in the market and its producers superfluous ? What steps are taken to maintain the equilibrium between supply and demand ? None whatever, and none can be taken so long as commerce and industry are conducted on individualistic lines. Prevention of unemployment in such circumstances is absolutely impossible. To justify such an essentially vicious economic system, its upholders point to the so-called " Law " of Supply and Demand and its imagined power to pull things straight. Fortunately, the appeal to this " Law ", so dear to the theorizing economists of the Victorian Age, is now weak

and wavering. The individualist competitive system of Capitalism negatives by its nature the organization of industry, commerce, and banking for the benefit of the whole community which, as we shall see, is the fundamental necessity. Capitalism is not only morally but economically bankrupt. In defiance of all moral law it insists on having the vast mass of the people to exploit; and economically it is a failure, for it is unable to keep its wage-slaves fully employed. Here, then, we have practically the chief cause of unemployment—the want of co-ordination in industry, which would have for its object the adjustment of the productive powers of society to the demand. How this can be done it will be our endeavour to show.

Further, if the practical man of business were asked to name the cause of unemployment, he would probably reply with sufficient correctness, Depression of Trade. But while it is certainly during commercial crises that the evil is most noticeable, unemployment is also a chronic social malady, although at times it does not obtrude on the public attention. There are in fact depressions that are general or wide-spread, and depressions that are regional, or confined to one or a few industries. In the first place, what is the cause of that general depression of trade, which when severe is designated a commercial or a financial crisis, whose dire effects, as H. D. Macleod in his "*Theory and Practice of Banking*," p. 212, truly says, are only equalled by those of the volcano and the earthquake. The immediate cause is overproduction of commodities, generally resulting from miscalculation and disregard, on the part of individual producers, of the supply required to meet the demand, and from the overproduction of industrial capital or means of production caused by those determined to compete at all costs for orders. This overproduction of industrial capital is found to result in a great measure from under-consumption or oversaving. Excess of savings takes the form of a superabundance of money deposited in the banks. The banks lend a large part of it at very low rates of interest in the discounting of bills on marketable securities, and even on personal security. In consequence of such easy credit speculation is encouraged and overtrading indulged in, especially in industries that are prosperous and in products that are in great demand. Moreover, many bank depositors invest their money themselves in new enterprises. New capital is used to establish works with the newest machinery and suitable for the best and most recently invented processes.

The consequence is overproduction. Supply exceeds demand, many works have to close down, and others go on short time. This results in unemployment, which is intensified by the fact that labour has been encouraged to crowd into these lines.

What is the significance of this superabundance of money, which is deposited in the banks and then placed at the disposal of business men of all degrees of ability and probity? By economists like J. A. Hobson and J. M. Robertson a great part of these deposits is rightly regarded as "Oversavings". This money would in a rational system be spent on consumable commodities instead of being, as the result of the saving and investing habit, flung to speculators to gamble with, or would be deposited in the State Bank to be used in production for the national interest. These speculators use it in company promotion, and so increase productive power in industries already more than fully provided with it. They use it to divert business from the well-established firms to their own new ones. At the same time, owing to oversaving, there is no increase in the demand for consumable commodities. The machinery for producing these is increased, while the demand is stationary or falls off. More capital is sunk than is required to provide for the wants of the community, which means sheer waste. This would be impossible under Collectivism, when, as we shall see, there would be no opportunity for private speculation encouraged by capitalist profit-making banks, no opening for unnecessary industrial capital, and consequently no temptation to oversave. Neither would there be any necessity for saving except to a small extent for personal wants, of which the gratification had to be delayed. Some people now, just because they are rich, do not spend all their income; as it exceeds what they desire to spend or use, the surplus has to be invested. Others again with small incomes are impelled to save by the instinct of self-preservation which warns them against the hazards of life under individualism. Their prudence calls upon them to curb their legitimate desires and disregard their immediate wants in order that they may be safe, as they hope, in hard times, in sickness, or in old age, or that their children may get a good start in life; therefore their savings must be invested. The result is over-capitalization of industry. Under Collectivism there would be no huge unspendable incomes. Moreover, there would be no need for individual saving either for self or for wife or for children against hard times, for there would be no hard times, which result solely from bad economic

arrangements; or against sickness or old age, for society would insure the individual against these contingencies, the premiums being collected from all the able-bodied adults by the State. Saving for industrial purposes would be attended to by the community through its industrial organizations, the capital required being collected in the price of goods. No more and no less than sufficient for these purposes would be collected, for the demand for commodities would be known, and supply would be kept commensurate with it. Necessary saving would thus be compulsory, and effected at the source as it were. Saving for private purposes would be reduced to a comparatively small figure, and such savings would be utilized by the State through its Bank, where they would be deposited. If they were of large amount there would need to be all the less immediate public saving through the industrial organizations of the State, only, however, for necessary undertakings which had not been foreseen and prepared for by the proper authorities, or for the development of backward countries. Some such outlet must be found, because one can only save when other people are willing to take a debt upon themselves. The mass of the people will not then, as now, be forcibly held as debtors by the capitalists and compelled to pay rent and interest on land and capital owned by the latter. If, even then, more were saved than economically permissible, saving would have to be discouraged by depositors having a limit set to the extent of their deposits, and if hoarding of money, which would be paper, were resorted to, its value would have to be reduced according to its age when it was offered for goods or services.

The accumulation by the guilds of reserves beyond the amount required at a not too distant date would have the same injurious effects as oversaving on the part of individuals. Saving means the acceptance of a debt to the saver by some person or persons. The saver wishes to postpone the consumption of his savings. If Tom asked Dick and Harry, when he passed them his products, to postpone paying part of the cost, because he had not decided what sort of goods or services he required of them, or when he would require them, Dick and Harry would be justified in objecting on the ground that, although they got all the goods they desired from Tom, they would be unable to utilize all their present available working time, and might or would be unable or unwilling to work overtime when subsequently Tom made his demands. The position would be the same if oversaving were indulged in

by a guild. The guild in that case would be insisting on the community accepting a debt to be paid to it at some future date, perhaps by the succeeding generation. But not only must all settlements of debts be made between contemporaries; they must be settled promptly. It may be suggested that private savings might be utilized by the guilds, who could desist from levying in the prices of their products a certain proportion or the whole of the sum required for the maintenance and extension of their capital. But this would be indefensible. There would be a disturbance of prices which would have very injurious effects. Prices would first have to be reduced, since the charge for maintenance of capital was not now to be collected from the consumers. Then when the debt had to be repaid, a sufficient increase in prices would have to be made for this purpose as well as to cover the depreciation of the capital in the industry. There would be thus an intolerable dislocation of prices in order to meet the whims of saving persons. The consumers would be in the position of Dick and Harry. They would be called upon to incur a debt, which would mean that they would at one time be receiving something for which they were not permitted to pay when they were able to do so, and later either they or, worse, other consumers would have to repay the debt when it was impossible or less convenient to do so. The social and economic significance of saving is by no means easy to grasp; and the institution of Collectivism will mean a revolution in the views almost universally held concerning it.

The levy made by guilds in prices for the depreciation and the improvement of the means of production would be pooled in the State Bank and utilized in loans to the industries requiring advances first, but the Bank would have to be prepared to repay loans at the dates agreed upon. The sum collected in the same way for extension of capital would have to be kept strictly within bounds.¹ What the limitations ought

¹ These sums collected in a Socialist State for the extension of capital on account of the growth of population and for the purpose of improving productive processes are, curiously enough, called "Interest" by Professor Cassel of Stockholm in his book entitled *Nature and Necessity of Interest*. And accordingly he contends that "interest is necessary in a progressive Socialistic community," because such sums must be raised. But his reasoning is entirely fallacious, and he is guilty of the misuse of economic terms. This so-called "interest" would be really savings invested by the workers, and all benefits would be enjoyed by themselves and their children alone. It would not be, as now, taken from them as interest and invested in order

to be, it is not easy to say. But certainly a percentage of all industrial capital would have to be collected regularly through prices equal to the percentage of the increase of population—which by the way ought not to be encouraged. If an unexpected change in public taste should cause an increase in demand with which an industry could not cope without increase of capital, an advance might be made out of the funds in the Bank if they were sufficiently large; and prices would be raised, the increased income being used to pay off the debt incurred for installation of new capital. The increase of prices could not be objected to by the new consumers, although it would be rather hard on the old.

It may be asked, how could people save for old age, when "saving" appears to be so injurious to society? By insurance, compulsory and voluntary. This means immediate use of the premiums raised. They would be used to pay pensions to the contemporary old. Saving for private purposes, as we have seen, would have to be allowed—within limits however, not by any means fixed, but variable.

But all these questions are clearly for the banking experts of the Bankers' guild to answer, after receiving the necessary data from the guilds on prospective works and demands. General guiding principles might well be laid down in acts of parliament.

Under Collectivism people would be able to spend freely, unharassed with fears of the future. Consequently there

to increase the unearned income of others by more interest. Under Capitalism accretions of capital are after all only a small part of the total sum of rent and interest, profits and dividends taken from the workers by the capitalist class, and for by far the greater part spent by that class on luxurious living. Moreover, a considerable part of such accretions of capital is not paid out now in dividends or interest at all, or classed as such, but is retained and concealed under the name of reserve funds, which are used in the extension of the capital and which therefore often emerge in the form of bonus shares. The workers have to provide not only these annual accretions, but rent, interest and profit on land and all industrial capital already in existence; and the amount is by no means so insignificant as Professor Cassel would have us believe. Interest is unearned income, and Professor Cassel apparently wishes it to be inferred that because Collectivists find it economically necessary and ethically justifiable under Collectivism to collect in prices the sums sufficient for the increase and improvement of the means of production, which he chooses to term "interest" but which are not in any sense unearned income like interest, interest or unearned income is ethically justified in the present or any system, and collectivists have therefore no excuse on that score for attacking it.

would be no unemployment caused in the way just described. There would be no irresponsible capitalist speculation, and consequent misuse and waste of capital. Only with society organized for the equal benefit of all, are the institutions possible that form a perfect safeguard against oversaving, overproduction, and wild speculation.

Besides these general depressions of trade there are less widely spread depressions, which result in much unemployment. For instance an industry may be practically ruined by a change of fashion or by foreign competition. Foreign competition we shall deal with later in this chapter. The vagaries of fashion, which are really due in great measure to commercial "enterprise" and competition working upon the whims and fancies of the weaker-minded members of the community, will practically disappear with private enterprise and the unjust inequality of income so glaring under Capitalism. In any case under Collectivism all commodities deemed to have a precarious future demand will have a percentage added to their cost of production and collected in the price, sufficient to insure the producers against the evils of unemployment until they are absorbed by other industries.

Much unemployment is also due to the miscalculation and the ignorance of individual employers who undertake business that they are incapable of managing. Even able men of business sometimes find their astuteness fail them in their commercial transactions, for they must work largely in the dark ; they cannot obtain all the data requisite for certainty ; they must take great risks ; in other words, they are compelled, owing to the present secretive individualist manner of conducting business, to speculate. If they miscalculate, they break down and their employees are thrown out of work. This unemployment, unlike that due to wide-spread depression of trade caused by overspeculation, does not catch the public eye ; nevertheless, much distress is caused by it. The cause of it is inherent in the individualist system, in which the secretiveness of competing firms is essential, and can only be removed by Collectivism, under which the demand would be ascertained, and the work distributed fairly among the productive centres and units.

Yet another cause of unemployment under Capitalism is the introduction of labour saving machinery and processes without any arrangements to safeguard the interests of the displaced workers. It is useless to declare that such improvements

result ultimately in the employment of more labour owing to the growth of the demand following the cheapening of the commodity. The immediate result for the worker is unemployment, and this does not require to be of long duration before he suffers the dire consequences. As Mr. J. M. Robertson points out in *The Economics of Progress*, p. 102, Ricardo in his chapter on Machinery expressly declared he had been forced to the conclusion that "the substitution of machinery for human labour is often very injurious to the interests of the class of labourers". And, as Mr. Robertson points out, Mill also had to admit that improvements almost always throw some particular class of labourers out of employment, and that "there cannot be a more legitimate subject of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow-citizens and of posterity." Under Collectivism the introduction of labour-saving methods and processes would injure no one, as we shall show, and as it would benefit all, every effort would be made to improve all industrial factors, and this would meet with no opposition. Working people now are naturally shy of labour-saving machinery and processes, since they generally suffer by their introduction. Only in a collectivist system can this be entirely avoided. Only after careful calculation and consideration would labour-saving improvements be introduced, and arrangements would be made for a redistribution of labour without the workers losing a penny.

Seasonal occupations occasion considerable unemployment. But under an orderly organized economic system these occupations would have supplemental ones, and little time would be lost in the transfer. Unified organization, impossible under Capitalism, is required for that.

Trade disputes resulting in strikes and lockouts are responsible for much unemployment in other industries than those in which the troubles have arisen. While the capitalist system persists there will be antagonism of interests between labour and capital, and little can be done to preserve industrial peace. But when industrial capital has become national property there will be no stoppages due to the clash of class interests. With recognized methods of considering and removing grievances there would be no reason or excuse for extreme action.

Let us now explain how the problem of unemployment would be dealt with in the collectivist economy, as, when the simplicity and effectiveness of this system is realized, it is

possible to have a clearer appreciation of the hopeless unmanageableness of the capitalist system. Under Collectivism the economic energies of the community would be directed towards supplying the demands of all its individual members in proportion to their own powers of production in so far as they chose to exert them. Such demands of the individual would set in motion the mechanism of production and exchange to provide him with work, and he would not be as at present at the mercy of a haphazard demand of others for his labour. The secret of such an arrangement is co-ordination or organization, necessarily State organization, because the whole community is involved. The absolute necessity for such organization cannot be too emphatically insisted on, as well as its impossibility under Capitalism, although even now employment is somewhat steadied by monopolistic combines, the principle of which negatives competition.

Let us consider these necessary arrangements in full swing, with Collectivism as a going concern, and we shall then see what steps in that direction can be taken now. A general description of the industrial organization has been given in the preceding chapter. There would have to be a co-ordinating centre, a central board of employment, an absolutely necessary institution for preserving the equilibrium between the demand and the supply of labour, and for ensuring full employment for all, and full satisfaction of their wants. Each industry would require to have its sectional board of employment, with each of which the central board would be in touch. An important function of the central board would be the fixing of a normal working day. The length of the working day must depend on the desire of the people for material wealth and their will to produce it. On the effective demand for commodities and services would depend the work available for division. The demand for commodities and services of all kinds would be ascertained with a very close approximation by the respective guilds, as shown already. The working time necessary for their production would also be calculable. This divided by the number of workers would determine the normal working day, due account being taken of the relative time-value of labour in the various crafts. If the time-value per head per day proved to be eight hours (it might be six hours or more or less), the normal working day would be eight hours. But the miner might be entitled to receive the average daily pay for five hours work, and the bookbinder the same for seven hours. The number of bookbinders would have to be sufficient

to do the average amount of bookbinding required with an average working-day of seven hours. Similarly with the miners and their five hours day, and all the others.

Every one would have the right to demand a working day that would enable him to get the average income, but, as the ideal is to arrange a system that would permit the individual himself to decide, where possible, what his income, that is to say, his working hours, should be, the desires of the individual workers would be consulted. Those who wished a shorter day could have it, if others were willing to have a longer one, provided that the conditions of the craft or industry were such that it could be arranged, reservation of course being made in the interest of the workers in general against reduction in the number of workers in any industry to enable them to have a longer working day and therefore a larger income than the average. The workers, then, engaged in any craft or occupation would be entitled to claim the average share, any extra work being only possible if others in that craft wished to do less than the share to which they were entitled. Clearly, in certain industries it would be wasteful if the full complement of workers did not work full time simultaneously. In many factories and workshops team work is necessary, and the longer the working day of the machinery the more economical is the production. There might be little objection on the part of the vast majority of the workers to attend in relays, so allowing the machinery to be kept going, say, twelve hours a day, with two relays of workers doing a six hours day. And arrangement might be possible for workers with different views as to working time to replace each other for different periods of work, one to work, say four hours, and another to work eight, or two half-timers to work six months each per annum at the full working time. In other industries, like some in Switzerland and elsewhere, in which parts of machines and other articles are made by workers in their own homes, the length of working time might be left entirely to the workers, but the amount of work to be done in the industry would be what would give on the average the normal working day to the workers employed, payment, of course, being at piece or task rates.

A point to be considered is that in all crafts, in which piece or task work could be arranged for, the average output would have to be the basis for the calculation of the working day. Individual workers would have a limit set to their output. They could not be allowed to have a working day of a certain length and to produce as much as they pleased. They could

only be permitted to produce their share of the total production required, and take as long or as short a time to do this as they pleased. Otherwise the equation of production to consumption would be disturbed. The greater production of a fast worker would necessitate compensation being found in the under-production of other workers, if the former desired a larger income than the average.

The sectional employment board required by each industry would simply form a department of the central board of the industry or guild. This department of each guild would have to receive from its productive units the figures of the demand for its products by the whole country. There would be retailing establishments in suitable centres, and these would order through the central office of the industry. The work would then be allocated to the various factories so that they would all have regular and steady employment. Demand would be very steady under Collectivism with practical equality of economic condition, although there would probably be slight fluctuations. The factories would maintain production to meet the average demand. The sectional board or department of employment of each industry would have to consider the statistics of demand carefully in order to ascertain whether any increased or decreased demand was evidently permanent. When the increase in demand was evidently permanent, it would have to arrange for the increase of its workers, and the central board of the guild would have to increase its power of production by drawing upon its reserve capital deposited for this purpose with the State Bank. In order to obtain more workers the sectional board would have to apply to the central employment board, which would withdraw workers from some other industry in which there was a decreased demand, and transfer them direct to the growing industry, or throw open all vacancies to volunteers, so that all such movements of labour would be as far as possible voluntary and effected by the offer of the necessary inducements—which would be a problem to be resolved by the wages board in their decisions on the equivalence of labour conditions. If there were a permanently decreased demand, similar but reversed arrangements would be made. Until such arrangements were completed, and if it were undesirable to accumulate surplus stock, all the workers in the industry would have to be put on short time, their average pay being made up by allowances from the reserves of the industries deposited with the State Bank against such a contingency. These reserves would be accumulated by a

surcharge being put on the cost of production and collected from consumers in the actual price.

We have said that the demand for commodities would be known, but it would only be known if the demand were effective and if conditions were stable. At the present time the kind of demand depends on the very unequal incomes of the different classes of the community, a condition of things which it is the object of Collectivism to change by placing all incomes on an ethical basis and therefore on a footing of approximate equality. Such a change would result in an alteration in the kind of demand. In the transition period there would therefore be special difficulties to be overcome. The labour at present utilized by the rich in the production of luxuries and in personal services, and in the production of capital for export or for unnecessary investment at home, would have to be transferred to industries for the supply of necessities and comforts required by the workers, who would be receiving better pay. With collectivist organization, by means of the employment boards, this transfer of labour would be effected with considerable smoothness and celerity. But until this had been done, and the demand had approached what might be conjectured to be the normal for the future, the more delicate adjustments of hours and pay as between crafts, i.e., the equivalence of labour conditions, could not be carried out except in an imperfect way.

There is another difficulty. When the workers were conscious that they were receiving and would continue to receive the full value of their labour and that their working hours could be increased without depriving any fellow-worker of employment, there would almost certainly be a desire for a larger income and therefore for a longer working day. The trouble is that this desire for a longer working day would not be ascertained by the demand, because the demand for commodities could not exist, or rather be manifested, without the income. There would be no "effective demand", to use a term of the economists. Other economic mechanism would therefore have to be arranged. The desire of workers for a larger income would have to be made known to the proper officials of the guilds, to the sectional boards of employment, by the individual workshops in their charge. This desire would be gratified if, as we have seen, others desired a smaller income and were willing to work a shorter day, thereby enabling the former to work longer. When, however, the books of the various industries showed that the demands of

the workers for a larger income (that is, a longer working day) could not be granted as the normal working day was already fully taken up, it would be necessary to lengthen the general working day. The main difficulty lies in knowing how the proposed increase of income would be spent, for this information is required in order that labour may be directed into the proper channels. Workers in an industry for the products of which there would be no increased demand, could not earn a larger income unless some of them were drafted into other industries, whose output, owing to the increased demand resulting from the increase of income, would have to be augmented. Would it be possible to ascertain from the workers who desired a larger income how they intended to spend it? Although it seems not infeasible, it is a novel procedure, but the reformer in these days has learned to overcome his regard for the general dislike of novelty. At all events, a fair guess might be made. An increased output, necessitating increased working time and an increased number of workers, would be required from all industries producing what was likely to be demanded. Or the hours in as many industries as likely to be affected might be increased temporarily. Products not immediately sold would form stock. In any case the actual demand, which would be made in many cases at once, would give the true direction, and any error in judgment would be rectified with little loss of time. The books would show the total extra hours required, and the general working day might be lengthened to permit of these hours being worked, without, however, necessitating those who did not wish it to work longer hours.

It is hardly necessary at this stage of the discussion of these matters to enter into minute details, as the object at present is to get a clear idea of the broad lines on which the collectivist economic arrangements would proceed. It is evident that these details can with no great difficulty be worked out by practical men when the system is being put into operation—only, however, with the proper degree of effectiveness if done in a period of social calm, with the mass of the people solidly desirous of instituting a better economic system with due deliberation, instead of in a period of wild catastrophic revolution, which all classes should unite to avoid. The vexed question of the normal working day can undoubtedly be solved. Neither employers nor trade unionists have ever tried to discover the fundamental moral and economic basis of the working day under modern conditions.

The consequence is that the demand for a shorter working day has always been advocated on narrow sectional grounds without regard for the larger economic interests of the whole community, and it has been similarly opposed. The working day must be placed on an economic basis, and everybody will have to realize that the income of the individual will depend entirely on that individual's work.

Again, in order to provide employment for workers displaced by the introduction of new labour-saving machinery, or by the adoption of new labour-saving processes, recourse would be had to the central employment board. If the demand for the product did not in due course increase sufficiently to absorb these displaced workers, they would have to be transferred to other industries. In the interval all the workers in the industry would work shorter time at the old pay, the difference being made up from the guild reserves. A re-adjustment of the normal working day would only be necessary when very large numbers of the workers were displaced and it was evident that there would not be an increased demand that would cause them to be absorbed.

All such arrangements as have been suggested would be sufficient for a self-contained country with no foreign trade. But other difficulties are to be surmounted in a country with foreign trade; and all countries are in that position. Every country imports such of its requirements as it cannot produce, or such as can be produced more cheaply abroad. These it has to pay for with exports that are required by other countries. The question of buying and selling does not concern us at present, but merely that of employment, and with regard to this there seems to be no insurmountable difficulties. The wants of any country year in year out are steady as a rule. And it would be the aim of a collectivist country to arrange with the countries, whether collectivist or not, with which it trades, to maintain as great a regularity in demand and supply as possible. It would have to enter into commercial treaties with them. The foreign trade board would require to give special attention to this. With world-wide collectivism the arrangements would be very simple. Those outlined for a collectivist country would be extended to embrace all other collectivist countries. There would be no competition for trade, and no financial, commercial, or industrial crises, as we shall see in the chapter on International Trade. Countries peculiarly favoured by climate and soil or mineral resources for the production of raw materials, would supply them to all

countries requiring them. If the supply were insufficient to meet the demand and it were impossible to increase it, it would have to be rationed. But if the supply were short because the population was not large enough to overtake the work, workers would have to be encouraged to emigrate there, due regard being paid to the sentiments of the native population with regard to the influx of foreigners. Although an initial pecuniary inducement would likely have to be given to encourage emigration, in the matter of ordinary pay the emigrants would stand in relation to the buyers of their products in a position exactly like that of the workers in the same industry in the home country, unless, of course, climatic conditions necessitated a working day of different length. Their steady employment would be similarly arranged.

But the situation would be quite different should the country that was specially favoured by Nature be still without the collectivist pale, with other non-collectivist countries trading with it in competition with the collectivist states. The competition would not be so keen as at the present time, for from collectivist countries there would not be the surplus income of capitalist classes seeking investment in foreign countries and thus encouraging competition with their own country. There would be no serious competition except when, as the net result of general international trade with direct and indirect exchange, two or more countries could only pay with the same kind of goods, and the requirements of the country importing the goods were not sufficient to absorb all that was offered in exchange for the products wanted, or when the production of the latter could not be increased owing to the limitations of Nature. In the former case the solution lies in increasing by emigration the producers of the products wanted. If that were impossible, the problem becomes similar to that of the second case. Collectivist countries, as in equity bound, would in their foreign trade consider and allow for the wants of non-collectivist countries. If there were a permanent shortage of the product, the supplies ought to be divided between the competitors in proportion to population. They would have to be rationed, if an agreement could be made with the competing country. If this could not be done, a collectivist state would be in a position to crush out all competitors in non-collectivist states, for there would be no rent, interest, or profit as a charge on the cost of production ; and, if it were necessary, the goods could even be sold under

cost of production, the loss being recovered on the foreign imports for which they were payment. This could easily be arranged where foreign trade was under government control. But all these questions will be dealt with more fully in the chapter on International Trade. There seems good reason for holding that the collectivist system would place any country adopting it in an advantageous position in competition for trade, and would maintain the equilibrium between supply and demand, and thus obviate unemployment. There would undoubtedly be risks in such trade, for capitalist countries would have trade depressions and commercial and financial crises, which are inevitable in individualist economic systems and these would affect collectivist countries trading with them. Such risks would have to be covered by insurance, so that the loss would be distributed over all the consumers of the products from such countries, that is to say, funds would be accumulated by the addition of the requisite amount to the price and deposited in the State Bank. Displaced workers would have their time utilized in cognate industries, the hours of work would be reduced, but the workers would not lose their usual pay, for the shortage would be made up from these funds. Only in a collectivist system could this be done.

It seems, then, that under Collectivism the arrangements for ensuring steady employment for all would be simple and effective. We have seen why there is so much unemployment under Capitalism. There are certain conditions inseparable from Capitalism and absent from Collectivism that cause unemployment. Under Collectivism we have a true political economy, all departments of economic life organized for the good of the whole community. Under Capitalism we have the old false economy with no industrial and commercial organization for the public good, but with economic life at the mercy of the classes owning the means of production, competing among themselves for profit, struggling to keep rivals from dominating them or getting on a footing of equality with them, a political economy of "each for himself and the devil take the hindmost". What wonder that there should be employment for everybody in the former—communal, ethical, orderly, organized; and unemployment for many in the latter—individualist, selfish, anarchic, chaotic.

Can steps be taken now to introduce the collectivist methods of preventing unemployment? Certainly they can, but only by making considerable encroachments on Capitalism, and by moving towards the collectivist organization of industry, which

of course means strenuous opposition from the privileged interests concerned. To a limited extent such organization combined with private ownership is seen in amalgamated railways and in the various great capitalist combines and trusts. That organization is good ; but the power of levying extra toll* on consumers through monopoly is unjustifiable, and ought to be removed or curbed. This can be done, and a considerable measure of justice ensured, by the State fixing prices, and exercising control over such capitalist combines. Why should not the various industries then, even under private ownership, be encouraged, or even compelled, to organize within themselves so that the various productive units might act together in order to realize the many advantages of co-operation that would accrue to employers, employed, and the community generally ? There would be many economies, which would serve to increase profits and reduce prices. Statistics of demand and supply would be tabulated, and measures taken to prevent either over-production or under-production. Work would be distributed among the different units, and employment become steadier. This would tend to a change of motive and outlook on the part of both employers and employed. The public interest would gradually attract more of their attention ; and profits and wages, being more certain, would not exclude practically all else as at present.

If the productive establishments were found to be sufficient for all requirements, new establishments would not be permitted. But in that case strict control of the industries would have to be exercised by the State, and the standard of quality and price maintained. This would prevent in some measure the improper, uneconomic investment of oversavings. But it would not be a sufficiently effective attack on the evil. The prime causes of oversaving must be removed. The risks against which saving is a form of insurance must be removed, or insured against in a way less objectionable economically. With compulsory national insurance for all against unemployment, losses due to illness, accident, and everything causing inability for work, against losses to dependants from the death of their breadwinner and against old age, there would be little inducement to oversave on the part of those who have the greatest need to save. Just in proportion as a fair livelihood is guaranteed for the individual and those he is responsible for, will the natural desire of all to satisfy their wants be gratified, and the saving habit reduced and rendered

less hurtful to the community. On the other hand, on those who have a greater income than they require, the heavy and steeply graduated taxation on unearned incomes, i.e., rent, interest, and dividends, required for compensation when industries are being nationalized, would have its effect.

The saving habit in Germany received such a shock when the currency was inflated that the result was the cure of unemployment while the process of inflation proceeded. So long as the currency was being rapidly inflated, all holders of money spent it at once in order to get as much concrete, tangible wealth as possible. If they kept currency for a week it fetched less, prices having risen meanwhile. It is true that creditors were ruined, holders of government securities, mortgages, debentures and preference shares with a fixed rate of interest were ruined; pensioners were ruined; and salaried persons and wageworkers had their real incomes greatly reduced. On the other hand, those who were working with borrowed capital got practically a present of it. Industrial concerns made huge dividends, and their ordinary shareholders grew rich. Inflation of the currency is the unpardonable sin in economics; but, mark this well, it kills the saving habit; the only good result is full employment for all—for a time. For after inflation has reached a certain point the currency is regarded as worthless; tangible wealth is not exchanged for it and production ceases. Our endeavour must be to kill the saving habit in a way that is not pernicious; it is madness to cook the pig by burning down the house.

Employment boards, central and sectional, would have to be established as nearly as possible resembling those just described as present circumstances will permit. In countries in which organization of industry by trusts and combines is highly developed, this would be more easily done than in those lagging behind in economic development. Under Capitalism such boards would ameliorate the situation, while experience would be gained and facts published that would hasten the economic evolution. Such boards would be simply a natural growth out of the principles accountable for the foundation of Labour Exchanges, and would render these much more useful institutions than they are.

All employers of labour would have to be obliged by law to render periodical reports to the various boards of employment. Employers, as already mentioned, would be grouped together by industries, each of which would have its board, which they would keep informed of the number of their

employees, and of any increase or decrease in the various crafts. They would be required to forecast the probable increase or decline of their business expressed by the number of workers (with crafts detailed) whom they would likely have to engage or discharge. It would be necessary, too, for the central employment board through the sectional boards to insist on information from employers to explain the fluctuations of their respective trades, so that measures might be devised to steady them, and steps taken with the assistance of government if necessary, to get these measures made effective. Accordingly, the central board would have to report periodically to government regarding the unemployment in each industry, state the causes of the same, and if possible make proposals for prevention. Only by careful inquiry carried out untiringly and without intermission, can the data be obtained without which it will be impossible to advance towards the solution of this problem. Much might be done in this way to diminish unemployment under Capitalism, and there would be the additional advantage that the machinery set up would be that which under Collectivism would prevent it entirely.

While reducing unemployment as much as possible, the employment boards would have to make sure that the system of insurance against temporary unemployment was made such as would secure full pay for all workers, the hours being reduced in order that all would be employed. The unemployed would have to accept the work offered them, which, of course, would be as suitable as possible. The cost should be met by the special insurance reserves of the respective industries with the addition of government grants when required. To grant unemployment relief to able-bodied persons without making them work for it, is not only unfair to those who are left to do the work, but demoralises the recipients. When an industry has come to such a pass that its workers must be reduced in large numbers since no speedy relief seems probable, work must be found for them in other industries, and, instead of "doles" being given to the compulsorily idle, grants might be given to the productive units that would have to make room for those deprived of employment in their usual industries. Industries in which there was an increased demand for labour would be supplied first, and no doles or grants would be required for the workers they absorbed. In the other industries the grants would be reduced in proportion to any increased business. The

exclusiveness of trade unions would have to be overcome. The monopoly maintained so vigilantly by each trade of its peculiar field of work prevents fluidity of labour and causes considerable injustice and economic loss. But with collectivist organization partial or complete, wages will tend to be stabilized and employment continuous, and therefore any necessity that exists now under uncontrolled Capitalism for such monopoly will disappear.

The palliative methods we have been considering would be of considerable efficacy in a capitalist country independent of foreign trade and therefore controlling all the economic resources necessary for its existence. But no such country exists. All countries import many necessities, comforts, and luxuries, and depend on their exports for the purchase of these imports. Export trade therefore must be carefully fostered. By its very nature under Capitalism it is precarious, and in many cases the falling away of foreign demand cannot be prevented. Financial crises abroad, political disturbances, revolutions, wars, upset all calculations and injure trade disastrously. Bad harvests and other natural calamities are also injurious and unavoidable, but the effects are less lasting and are calculable. On the other hand, there are other causes of the loss of foreign trade that can be removed. There are subsidies given to foreign competitors by their governments, and import duties exacted by the importing country. There are superior business methods and better technical processes employed by foreign competitors. Again, there is lower paid although perhaps equally efficient labour.

What can be done in the present system to palliate these evils by the application as far as possible of collectivist methods? The board of employment would have to co-operate with the department of foreign trade and the government itself. The department of foreign trade would require powers to call upon all firms engaged in the foreign export trade with more than a certain turn-over to return a statement of the kind, quantity, and value of the goods they export, the countries they send them to, the number of hands they employ, and the proportion their foreign sales bear to their home sales. The firms concerned would send periodical returns of the state of their foreign business and its effect on employment. Any falling off would have to be inquired into, and efforts made to counteract it. Just as in the case of the home trade, immediate steps would have to be taken to apply remedial measures for the workers thrown out of

employment, for they cannot wait until the causes of their unemployment are inquired into and discovered. Relief must take the form of work and wages, either in their own or cognate industries. As we have just indicated, some of it must be drawn from the fund which all industries would have to maintain ; but in the case of its exhaustion it would have to be supplemented from the national exchequer, and preferably, if the cost of collection were not too great, from a specially ear-marked fund formed from duties imposed on certain imports that might justly be considered luxuries. The producers of exports being found in the ultimate analysis to be producing in order to pay for imports, the consumers of imports ought to be responsible in proportion to their consumption for the support of the unemployed among the former. To levy duties on imports, therefore, seems to be the direct and equitable way of obtaining the necessary contributions. It seems only reasonable, too, that the imports least necessary for the national welfare should have a heavier duty imposed upon them than those most necessary, so that any curtailment of imports due to insufficiency of exports might affect the former rather than the latter. If in consequence of the duty the importation of luxuries or other dispensable articles declined, this would render it easier for the reduced exports to pay for the necessary imports.

The foreign trade department would, with the assistance of the experienced managers of the distressed industries, inquire into the causes of the bad trade, and if it were found to be due to foreign governments granting subsidies or imposing duties, negotiations would have to be initiated with a view to discussion and amicable settlement of the matter. Subsidies, if no clamant necessity forces a government to grant them, and if they are merely given for the purpose of establishing an economically illegitimate trade in order to fill the coffers of certain rings of capitalists, ought, if possible, to be countered by economic retaliation when negotiation fails. Import duties on our exports must be similarly dealt with. On the other hand, superior industrial processes and business methods adopted by foreign competitors are perfectly legitimate forms of competition, and the government ought to compel home firms to realize their responsibility to their workers and the community at large, if not to themselves. It is more difficult to compete with foreign firms whose workers are equally efficient but accept lower wages owing either to cheaper living or to a lower standard of comfort. Temporarily such

competition may be successfully met by the introduction of better processes and methods, or of greater working efficiency, or by reduction of profits. But it cannot be maintained without the equalization of the standard of comfort or of the cost of living in the two countries. It might be necessary to subsidize export trade embarrassed by this kind of competition, the subsidies being raised by duties on imports.

So much for unemployment in the export trades. Unemployment in the home trades caused by imports from abroad must be dealt with in a similar way. There seems no reason for objecting to protective duties if it be found that unfair competition in the form of bounties or other governmental assistance or in the employment of low-paid labour injures home trade. And it is difficult to see why they should not be imposed whenever injury is caused in other ways, provided inquiry is made into the cause and drastic measures are applied to remedy the faults of the home producers, employers or employed, and to prevent any increase of profits in consequence of the protection. No home trade should be allowed to be swamped by imports from abroad except after very careful consideration and after arrangements are made to alleviate the injury to both capital and labour.

Apart from these radical changes, the only help that can be given to the unemployed is unfortunately what is given now by the capitalist governments. The demoralising doles must be given, or work of one kind or another must be found. But this work, according to experience, will be generally unsuitable for the unemployed and of little use to the community; it will probably result in roads, railways, docks, and reclaimed land, which will never have either economic or any other value. Efforts must be made to provide suitable and useful work.

CHAPTER IV

INTERNATIONAL TRADE

INTERNATIONAL trade, like every other economic institution, has its immediately practical and its more or less ideal aspect ; and the consideration of both is necessary. In dealing with Collectivism we must discuss not only fundamental ethico-economic principles, but the manner of their application. This involves construction of the system that is the natural and logical outcome of these principles, that is to say, the ideal ; it also involves consideration of the best way of realizing this ideal, consideration of the movements towards it that can be made immediately, that is to say, the practical. The discussion of the ideal is generally sneered at as "academic", but the ideal must never be lost sight of, for it is what we have to aim at realizing. We have, therefore, to consider international trade in its ideal form as well as in its evolutionary process from the present capitalistic position.

International trade and other departments of economic activity under Collectivism may by many be considered of very remote interest. But they are not. The natural trend towards Collectivism is now so great that even the most rabid anti-collectivist has to admit it. Indeed, the economic development in that direction, or rather the opinion in favour of it, is progressing so rapidly that without ethical guidance it is likely to lead to serious social trouble and economic failure. All classes of the people are intellectually and morally unprepared for it, and, therefore, do not understand it and are consequently unable to adjust economic institutions on proper lines not only to ease the transition but to adapt the new economic order to meet ethical requirements. Most of our mental energy ought, therefore, to be devoted to the study of the fundamental principles of the system, and to the preparation of the public mind by all the theoretical reasoning possible. We must understand the great world-wide economic evolution in order to avoid disaster. This economic

movement, like all great economic changes, although beneficial to all in the long run, will entail great hardships to many in all classes, if man does not control and guide it. We must, therefore, learn to do this, and for this reason look far ahead and understand the ideal.

The first and most important work of reformers is to organize the collectivist national state. But, as during and after the formation of the collectivist national state there will be trade with other states, we must try to grasp the true ethics of international trade, and visualize the new system in operation between collectivist states, and also between collectivist and non-collectivist states.

In the capitalist system the most important problem of foreign trade that exercises the mind, a problem specially important from the point of view of national well-being, is that of foreign competition in markets abroad, and consideration of this will lead us into the heart of our subject.

To be ousted from a foreign market by either home or foreign competition is a serious matter for the firms concerned, and for their employees ; and yet, if unfair means be not used, there seems no reason for complaint from the upholders of an economic system based on private ownership, individual initiative and enterprise, competition and greed. But what after all can be considered unfair in competitive commerce ? Bounties or tariffs hit some, cheap labour others, and every one of these and other forms of competition is considered unfair by the losers. As a matter of fact, the business man only considers it unfair when it is the other fellow who has the advantages. Superior skill in a competitor is grumbled at just as much as his ability to live on little, or his willingness to have a longer working day. The live practical business man, however, does not waste time complaining of unfairness, but tries to overcome the competition, and he finds some kinds of competition less serious than others. For instance, trade lost through inferior skill, antiquated machinery, or inefficient business and industrial methods, can be regained by the improvement of these technical factors. But to overcome tariffs or bounties, or to compete successfully with cheap labour (cheap owing to a low standard of living), or, to go further, with such natural advantages as rich mines, fertile land, and good climate, means, other factors being equal, reduction to a lower standard of living both for employers and employed. This explains why Dean Inge in his lecture to the Eugenics Education Society (17th February, 1919) took

the pessimistic view that probably the labour agitation in this country for a higher standard of living would end in "the cheap races" capturing our trade. It is more likely, however, that we shall find our trade going to countries in which labour is thoroughly efficient, antagonistic to ca'canny tactics, and paid according to results, and therefore highly paid. We must consider how these dangers can be overcome.

Whatever the causes of defeat in the trade war with foreigners for foreign markets, when the matter is narrowed down to the point of view of the losing firms, the fact remains that the latter suffer exactly in the same way as if they were defeated by home competitors either in a foreign or a home market. The loss of capital and the effect on their employment of labour are just the same in either case.

But from a national point of view there is an additional and more serious loss. From this point of view, export trade exists in order to render import trade possible. If a country were economically self-sufficient, if it did not require imports, an export trade would be unnecessary and impossible. If imports are wanted, commodities desired abroad must be exported. This is the fundamental of international trade. Reduction of exports therefore leads to reduction of perhaps indispensable imports.

Some goods are required from abroad because they cannot be produced at home at all, some because a sufficiency cannot be produced at home, and some because they can be produced more cheaply abroad. There being a demand, merchants import the goods and pay for them in the usual way by accepting bills of exchange, which they honour when presented. These bills have been discounted by the banks, that is, sold through the banks, intermediary accepting-houses and bill brokers, by the foreign suppliers of the goods to importers in their own country, who wish to use them to pay for their imports. They are sent to the exporters here, who receive payment from the home importers, and the transaction is closed. Or the foreign importers may import not from this country but from another, and therefore buy the bills to send to that country, whose merchants will import the goods to that value from us.

Now, the national loss referred to is incurred when the goods usually exported to pay for the imports are refused except at lower prices, because other countries have cut the old prices. It would not affect the foreign trade at all, if the firms who have been exporting had their business captured

by their own countrymen. But unless the foreign competitor can be undersold, both exports and imports are reduced before long ; we may disregard imports that represent the value of income from investments or services abroad.

The following is the actual course of events in the commercial world, when imports cannot be paid for by exports owing to the high price of some of the latter. There will be first a plethora of bills of exchange drawn on this country, that is, more than there is a demand for by foreign importers to pay for our exports. Consequently the exchange will be against this country ; the full price will not be given for the bills. If the exchange fall low enough, gold in normal times will be demanded in payment, and the cost of transmission and insurance will fall on the imports, and will be paid by their consumers. The result will be that the Bank of England, if the state of the exchange becomes so serious that too much gold is drawn from the country, will raise its rates of interest and discount, and this will have the double effect of attracting money from abroad for the higher rates, and of reducing prices in general in this country owing to the curtailment of credit and the consequent inability of merchants to hold up stocks. This will improve the exchange, but there will be a loss to the country, although it will be widely distributed and may therefore escape much notice. Certain commodities will have their prices reduced so much that they will be exported to pay for the imports. But it may be that the commodity which has been cut out by the foreign competitor is still too dear for export, and the trade may be lost. This is unimportant from the national point of view, if its place is taken by others, although the crushing of a trade in this way means a loss of capital and much suffering to the labour displaced—all inevitable in the capitalist system. But the industry may be a very important one, and it may not be possible to recover the foreign trade in full. If impossible, it means not only that part of our population employed in making exports will be thrown out of employment, but that consumers of imports will have the supply restricted, or rather will buy less owing to the increase of prices. The producers of exports who are thrown out of employment may in course of time be absorbed by other industries, for the purchasing power of the consumers of imports will still be the same, and that part hitherto spent on foreign products will be set free for the purchase of home products ; only the consumers of imports in this case will then suffer deprivation,

But this will only hold true of some classes of imports. If the imports are vital necessities for the whole community, the general standard of living or comfort will be reduced. They must be imported at any price. Life will be more difficult.

We have said that there are three reasons why foreign products are in demand :—(1) because they cannot be produced at home ; (2) because a sufficiency cannot be produced at home ; (3) because they can be produced more cheaply abroad. In the third case the result may be that, with a probable curtailment of demand, the goods will be produced at home, the only effect being that consumers will have to pay a higher price, and will therefore suffer loss or deprivation to a certain extent. This means a reduction in the standard of comfort, although it may be slight. The other two cases are properly identical, and the seriousness of the problem lies in the possibility of being cut off from the supply of such commodities. If they are luxuries, the deprivation of them may cause discomfort, but that might wear off. If they are necessities, however, the matter is vitally serious. A country that could not produce sufficient food or clothing or other necessities for its population, and that could not obtain prices for exports high enough to yield the usual return to labour and capital, would be compelled to support export industries by some form of subsidy in order to pay for the imported necessities ; and the general standard of living would be reduced.

Having briefly stated the fundamental necessity for foreign trade and its inherent difficulties, let us consider what would be the solution under Collectivism of the problems of foreign trade we have just glanced at, namely those arising out of foreign competition as affected by natural advantages, cheap labour, efficient labour, superior skill, better machinery, or more effective industrial and commercial methods, or by bounties and protective tariffs. The competing country, against which any of these factors militated, would find that they were obstacles in the way of its getting raw materials or manufactures from abroad, which, as we have seen, is in essence the object of international trade, an object which has been obscured by the prevalence of the commercial motive of mere money-getting.

But in the first place what rights has one country to the products of another—on the basis, of course, of fair exchange ?

In an ideal economic world with production and exchange based on ethical principles, there would be no monopoly of natural products by nations, tribes, or individuals. There is no ethical justification for any person or persons, or any section of the human race laying hands on mineral, agricultural, or other natural resources, and either playing the dog in the manger, or appropriating them for their own use regardless of the wants of others. All mankind ought to get a fair share of the world's natural products, with due regard to the interests of future generations. The way to the achievement of this object bristles with difficulties, but the solution of the problem would do more than anything else to bring peace on earth and goodwill among men. The chief cause of war would be removed. When all nations have free, equal, and assured access to all the products of nature, the main cause of international friction will disappear.¹

But there is one all-important proviso, and it is that this free access must be on an equitable basis, and be under international and collectivist control. Commercialism, as we know it, must be rigorously excluded.

There is a danger in the way of the realization of the object that must be carefully guarded against. In every country all but a very insignificant number of the population instinctively—and perhaps in present circumstances not altogether unreasonably—suspect, dislike, fear, or hate foreigners, and even strangers of their own race or nation.

¹ Since writing the above I have been glad to find very much the same view taken by Mr J Coudurier de Chassaigne in the *Edinburgh Review* of April, 1923. He says—"I should like to suggest that France, England, and Belgium, joining with Italy, should agree to internationalise, not only the mineral wealth of the Ruhr in the interest of the Allies as long as Germany owes us war debts, but also the natural wealth of all countries, for the common benefit of the world. Would it not be possible to arrive at an international agreement on that vital problem of mineral wealth and raw materials, while strictly avoiding interference with any State's private affairs, and allowing each country to keep for its own national use all its commodities and minerals up to the limit of its own requirements? If the whole world had access, in accordance with definite rules and regulations, to the essentials of life, without having to pay monstrous royalties to private or State capitalism, might this not be the one and only solution of all the economic problems which sooner or later will originate new and fearsome wars? Assuming that humanity in the bulk will remain what it has always been up to now: mean, jealous, cruel, greedy; those whose mission it is to lead men and nations, would nevertheless have the priceless satisfaction of having done their best to bring about the end of all wars. Then the millennium might be a little nearer to mankind, struggling, fighting and pitiful".

It may take long to eradicate this instinct. It has probably been necessary at one time in the case of all living beings for the preservation of individuals and species, but men have risen in the scale of life through mutual aid, have formulated a higher moral law than the law of the jungle, and accept and try to follow it. To them the former is now the law of life, the latter the law of death. Accordingly, such anti-social instincts must be struggled against. As human nature is at present constituted, however, due consideration must be shown to race feeling, and even to pseudo-patriotism, to the extent of interfering as little as possible with peoples who nurse their primitive instincts. It is a mistake, however, to regard the movements for autonomy for numerically small races, for self-determination, home-rule, and much even of what is called local self-government and devolution, as on the lines of progress in every case, or even generally.

But nationalities with all their anti-social susceptibilities exist. They possess territory, and look upon it as their exclusive property. Countries, however, that accept Collectivism internationally, will regard their territory as the property of the collectivist union, to be used in the production of wealth on the basis of fair exchange for the good of all peoples, with the reservation of important rights other than economic. Those peoples who do not accept Collectivism will resent any interference with what they maintain to be their absolute property, and it might be that the collectivist states would have to deal with recalcitrant states in the interests of mankind.

Let us first inquire into the relations that would exist between collectivist countries. They would be in the main the same as those between different provinces, counties, or districts of any collectivist country. The relations referred to would, of course, be only economic relations. There need be, and ought to be, no interference with any domestic arrangements affecting the political, religious, or other sides of national life, that is, with affairs that are the sole concern of the country or group. Ethics ought to have guidance to give in connection with all these questions with special reference to the rights of minorities ; but collectivists as such are only concerned with the application of ethics to economic life.

Let us repeat, then, the question we started with : What are the rights of any country to the products of another ? For it is really the natural riches of a country, and not the territory itself, of which a share is wanted against a fair

exchange. It is only reasonable that a nation should have secure possession of sufficient potentiality of wealth for present and future generations within its own territory, wealth utilizable at home, or exchangeable for foreign products. Self-preservation calls for this, and the claim is just.

This raises the population question. No country should have a larger population than it can support. And the measure of its capacity to support its population is the quantity of the wealth required to maintain the standard of living of its inhabitants, that can be produced in the country itself from its own natural resources, either for use there or for assured exchange for goods from other countries. Countries with a larger population than can be supported in this way, and with the surplus population engaged in the manufacture of goods for export from imported raw materials, cannot be said to support such workers. This surplus population has only working room, and is supported only by putting its labour into foreign materials, for which it has to find a market abroad. The position of such workers is precarious in the extreme, as it depends entirely on the economic development of the countries to which they export their products. These countries naturally endeavour to manufacture such products themselves, and often succeed. Therefore prudence suggests the limitation of a country's population to the number it can actually support by its own products either for home consumption or for assured foreign exchange; and assured foreign exchange will never be realized until Collectivism becomes international. Only international Collectivism will secure real and safe interdependence of nations, and bring universal peace. Till then wars may be expected, which will render especially precarious the position of all countries depending on foreign trade for their existence. To import raw jute into Dundee, or cotton into Lancashire, for the manufacture of goods we require ourselves is perfectly reasonable and safe, but to import raw materials in order to manufacture for other countries is to court ultimate disaster, although temporarily it may be profitable. These other countries in the course of their economic development will build mills and manufacture for themselves as has generally been the case. True, trade of this sort with backward countries like tropical Africa is not open to the same criticism—at least the day of reckoning is postponed. Also, a number of small countries may get certain manufactured articles from a large country producing

them on a large scale, because these small countries could not perhaps produce cheaply enough each by itself on a small scale. Likewise, climate or some other natural advantage, or the special skill of its population, may favour a country in the production of certain commodities from imported raw materials.

Only under Collectivism, however, will it be possible to ascertain the actual resources of a country necessary for the support of its population in the present and the future. If these natural resources should exceed what is required by its existing population and their descendants for their own consumption or for export in exchange for imports, then only would other countries be entitled to share in its natural products—this is a fundamental ethical principle of international trade. These natural products could be exported if a sufficient number of the population specialized in the output of them, and were assured of receiving in exchange the commodities required for their wants. The principal obstacle in the way of this concentration of economic activity is the instability of foreign trade in present circumstances. Under Collectivism this obstacle would disappear. However, it could only be arranged if the native population desired a larger income and worked harder, or if foreign immigration were permitted. With foreign immigration difficulties present themselves. The people, however good collectivists, might reasonably object to a denser population, or might have a violent dislike to an influx of foreigners. These are difficult problems in ethics, and it seems only prudent to prevent the necessity for their solution by limiting the population in every country far within the capacity of the country to support it. A country that increased its population beyond its capacity to support it, would be inviting trouble, unless there were countries where the surplus would be welcomed. If there were none, the result would be either reduction of the standard of living in the country, should there be no emigration, or war, should admission into other unwilling countries be insisted on. It is difficult to find any good reason for the advocacy of increase of population in well-settled countries. It ought to be discouraged, as it benefits nobody, and leads to trouble.

Countries of immense latent resources, inhabited by people of primitive culture, must obviously be thrown open to development by the advanced races, with due care of course for the welfare of the backward, feckless, or savage inhabitants.

But again this is mainly necessary because of increasing populations, and it is not altogether desirable, for it is open to serious abuse at the present stage of the development of the moral sense of the advanced races.

Without venturing to enter into the discussion of the problems arising out of national or race feuds and hatreds, but with such disruptive tendencies in view, and merely suggesting as a counsel of prudence that nations should keep to their own territories, and to that end limit their numbers, we must proceed with our inquiry into the arrangements that two or more countries organized in a collectivist union would make in their economic relations with each other, and with non-collectivist countries.

Trade between collectivist countries would be virtually home trade. Their economic relations, as we have said, would be similar to those prevailing between different parts of the same country, and if such countries were not disturbed by war with an aggressive capitalist country, these relations would guarantee permanent and assured exchange of needful commodities.

To illustrate, let us take the case of competition in the coal trade, say, between America and Britain under Capitalism, and then consider how the difficulties would disappear if both countries were members of a collectivist union. Under Capitalism if American coal can be sold more cheaply in Europe and elsewhere than British coal, owing to the superiority of coal-getting machinery, or better industrial and commercial organization, the competition can be met by British coal-owners perfecting their system, and British miners and the British public seeing that they do it, as it is distinctly a matter of vital importance. On the other hand, if it be owing to "slacking" on the part of the British miners, or to their inferior energy or skill, it would be necessary to deal sharply with them in the public interest, provided that they had working conditions and pay to compensate them for dangers and hardships not suffered by the rest of the community.

If the cheapness, however, is due to the mines being richer and the coal more easily won, there is no remedy under Capitalism. But there would be little difficulty if Britain and America were collectivist states in union. If it were, as it sometimes would be, necessary to close coal mines in a collectivist country, and open new ones in another part of the country, this could be done without any loss to the miners,

or to other workers in the district engaged in supplying the miners' wants. They would have to be transferred to the new mines. Much of their private property would be lost. Their houses and gardens could not be transferred, and would in most cases be unsaleable. Likewise all the buildings and immovable property in a mining centre that had been found necessary for the mining population and their adherents, such as churches, parsonages, places of amusement, and houses of workers employed in the district to supply the wants of the miners, would become valueless owing to the transfer. Compensation in full to guilds and private persons would naturally have to be given in such cases, and this would be at the charge of the coal industry and would be collected in the price of the coal, which of course despite these losses would ultimately be reduced owing to the cheaper production in the new centre or centres.

We have here an ethical principle which cannot be too strongly emphasized. All economic change involves loss to certain individuals and corporate bodies, and full compensation ought to be given. It is not and cannot be given under Capitalism, although it perhaps might be in a highly developed system of industrial trusts supplemented with governmental control. This principle of compensation would be applied when the industry had for similar reasons to be transferred to another country, let us say America, in the international collectivist union. As patriotic or sentimental attachment might be violated by such a transference, both in this case and in that of transferring seats of industry from one district to another in the same country, no step should be taken until full inquiry had been made, the matter fully and publicly discussed, and consent of parliament obtained. Economic efficiency is not the only social objective to be kept in view. Quite conceivably, it might be found that a district, an island, or even a country ought, when economic conditions alone are considered, to be abandoned, and the whole population or part of it removed to a more productive region. But other aspects of the problem would have to be taken into account, and considerable difficulty might be found in deciding whether the said population should be allowed to remain at an economic loss to the whole community, or given the choice of emigration, or of remaining and bearing that economic loss themselves.

Let us keep in mind that not only the mines but the capital sunk in their development and working, both in America and in Britain, would be international property, that is, the

property of the united collectivist states, and would be managed entirely in the public interest of all these states. The object of the federated coal guilds of these states would be to produce coal as cheaply as possible ; and the price would be the same everywhere, as we shall see in the next chapter. But unlike capitalist coal-owners the guild would not attempt any cheapening at the expense of labour. The pay in coal mines would be fixed by the wages board according to the general principles of remuneration applied in the case of all labour, due allowance therefore being made for the dangers and hardships of a miner's occupation—in short, it would be based on the "human cost" of the labour. When worked-out pits had to be closed and new pits opened, this would be all to the advantage of the consumers, and yet the displaced miners would not suffer from the change.

In the case before us, British coal mines or some of them, would be closed, and consumers would be supplied from American pits with cheaper coal. More miners would be required in America, and fewer in Britain ; and some of the surplus workers would have to be transferred to other industries for whose products the demand would be increased owing to the saving to consumers resulting from cheaper coal. Naturally, the miners thrown out of work in Britain would have to be provided with work elsewhere, and compensated for any loss sustained from the transfer. If the number still required for the coal industry agreed to emigrate *en masse* to America the problem would be solved. If some wished to remain in the home country, the requisite number of miners to act as substitutes might be got from other parts of Britain.

But how would consumers of imports be affected who depended on coal exports to pay for their imports ? The united collectivist states would in effect constitute one great state or country, and the transfer of industrial operations from one of these states to another would be worked out exactly in the same way as a transfer within one of them, and the first operation would affect the larger population exactly in the same way as the second operation would affect the smaller population. If new rich seams were discovered in Wales, and it were found that great economy would be effected by the closing of pits in Scotland and the transfer of the miners to Wales, coal would be cheaper, and the commodities used by the miners would be delivered in Wales instead of in Scotland, in each case at the charge of the coal consumers. If the output of these miners was exported and

was the means of payment for timber from Sweden, the miners would in effect be producing timber, and would produce it more cheaply in Wales, getting in exchange the supplies for all their wants sent to Wales instead of Scotland. Similarly, if they had to emigrate to America, the coal would be exported from America to Sweden, the timber would be imported into Britain, and the miners' supplies or the equivalent in value would be delivered by Britain in America. The exports might or might not be what went to the miners in Scotland, for it would perhaps be more advantageous to export some other commodities, and the workers who used to supply the miners at the expense of the consumers of timber, or an equivalent number, would produce these commodities. The necessary change in production would be ascertained by the international board of the foreign trade guilds, which would have all the prices of commodities at home and abroad, and could therefore learn what commodities could be substituted in a case of this kind.

We are now brought to the consideration of the problem of a collectivist state or union of collectivist states competing in a foreign capitalist market with a capitalist state. Britain like other countries in the collectivist union must have certain products from the non-collectivist countries, and she must pay for them in part by exporting, let us say, coal. But another non-collectivist country owing to superior natural resources finds itself able to undersell her. What is Britain to do?

If negotiations with these competing states were entered into, the collectivist states would have to recognize the legitimate claims of the others for imports, but only of course if this fair treatment were reciprocated. They would be entitled to their share, and no more than their share, of foreign products. They would not be morally entitled to deprive other countries of the power of buying imports by ousting these countries' products from the market. Unfortunately, appeal cannot be made to morality when Capitalism is being dealt with. Capitalism recognizes no morality but that of the longest purse, no master but *force majeure*. No such crushing of an established system of production and exchange would be tolerated in a moral world. Elaborate precautions would be taken to lessen the necessary losses in the collectivist union involved in any change, and to compensate the sufferers. But it may be thought unlikely that any countries in which Capitalism was supreme and uncontrolled would enter into any arrangement of the kind. Happily, Capitalism in

practically all countries is now being curbed, and therefore reasonable commercial treaties might perhaps be made with their governments, and in this circumstance there lies some hope. If moral suasion proved insufficient to lead to the ratification of satisfactory commercial treaties with the competing state, economic pressure would have to be resorted to, the difficulty here, however, being that any pressure of the kind would hurt the collectivist state in some measure. But a temporary exclusion of whatever imports from the recalcitrant state could be dispensed with for a time, would hurt the producers in that state and unite them in an agitation against the purely capitalist enterprise of which the object was a wanton onslaught on a well-established international trade. It would in all probability prove effective. Sections of producers in the capitalist state would be seriously hurt, but in the collectivist states the workers whose exports would be stopped owing to the boycott would not suffer except as consumers of the said imports, for they would receive full compensation or work elsewhere. The loss in the end would be borne by the consumers of the jeopardized imports, for the collectivist government would see that the loss was covered by the increase of prices when trade was resumed. This could easily be done through the unified management and the efficient accounting of Collectivism.

But there is another powerful weapon. Collectivist enterprise would have an immense advantage in competition with capitalist enterprise, not only because there would be great economies in a co-operative system and because the people by education and training would recognize the benefit of using every effort to improve their industrial capacity, but owing to the fact that no rent, interest, or profit would be a charge on production. Competitive prices could be reduced to the extent to which these charges enter into them. It must, however, be kept in mind that in normal collectivist conditions such sums would no longer be paid to capitalists but would be used to augment the pay of the workers, and if prices of exports had to be reduced to meet competition, this pay in the absence of special arrangements would be reduced too, and the workers in the industry concerned might be little better off than under Capitalism. But their industry would be subsidized at the expense of the consumers of imports, and their pay would thus be maintained. It must be kept in mind that under Collectivism the loss would be distributed equitably over all the members of the community for whose

benefit the course of action resulting in that loss had been taken and it would therefore be very lightly felt. So that it might well be that by simply reducing prices for a sufficient time all capitalist competitors could be ruined. We find that under Capitalism this method is often successful. If a company or trust dominates or holds a strong position in a certain trade, it can crush out all competitors or bring them to terms simply by its ability to hold out longer with unremunerative prices. Collectivist enterprise with the whole weight and staying power of a unified community behind it, could smash up any competing enterprise on capitalist lines. Not only would the loss be felt lightly by collectivist countries, since it would be equitably and therefore widely distributed, but it would only have to be endured for a short time. When the opposition had been ruined, the old prices would be reverted to, and in every probability they could be increased and levied until the country had recouped itself for the losses. The mere threat of such action would most probably cause capitalist countries to refrain from running such a risk. As the trading of capitalist states is in the main for the benefit of the capitalist classes, there can be no ethical objection to ruthless handling of capitalist trade by collectivist countries in self defence.

We may take it, then, that a country will be better able to maintain its foreign trade under Collectivism than under Capitalism. It is deplorable that such action as has been proposed should have to be taken by collectivist countries against capitalist countries, if the latter were to undersell them owing to their superior natural advantages. But they would be compelled to take it for self-preservation, unless indeed it were possible to establish a new trade or industry for the purpose of producing some other kind of export to pay for the necessary imports. If that action were not successful, the collectivist state or union would not be in a worse position than a capitalist state placed in a similar disadvantageous situation. It would have to offer terms equal to those of its competitor, which would signify an increase in the cost of living, owing to the increase in the price of certain imports.

But there is another point of view. As certain other superior natural advantages might pertain to a collectivist country, the advantage of equitable arrangement of such matters would be evident even to non-collectivist countries, and commercial treaties would be framed accordingly.

Another aspect of international trade now calls for attention. What ought to be the economic relations between collectivist

states and backward peoples? Broadly, they must be such as will secure justice to both, and while encouraging industrial and commercial progress, preserve the inhabitants of both from the injudicious and too rapid introduction of new industrial processes and methods, and the evil consequences thereof.

On these lines how, for instance, is the competition of cheap labour (labour with a low standard of living—let us say, cheap Eastern labour) to be dealt with by Western civilization? How is Eastern civilization, on the other hand, to deal with the competition of cheap machine-made goods with the hand-made articles of the East? Both civilizations are faced with serious convulsions of their industrial systems in consequence of the entrance of new factors like these into international competition. The clamant requirement of both is stability. But industrial progress must not be excluded. What measures of protection then are to be permitted, and what safeguards can be devised for the purpose of preventing these measures of protection from stifling all economic progress? What could be done to prevent trade between advanced countries and the backward countries from injuring important sections of either the one or the other? To these questions we have to give attention.

The question of the competition of cheap labour—cheap, that is to say, owing to a low standard of living—is of great importance both economically and ethically, and calls for immediate solution in the interests of international and racial amity. Cheap or low-paid labour is a serious factor in international competition, and makes itself felt both when the cheap products of such labour are imported into countries with a more expensive standard of living and compete with similar home products, or into foreign markets which the latter countries have been supplying, and when the cheap labourer himself actually appears, whether East Indian, Chinese, or Japanese, in Canada, the western states of America, or elsewhere. Legislation against such labour is resented by the races discriminated against as a slur on their nationality, civilization, and manhood; but they overlook the fact that protection against unemployment and against reduction of the standard of living is required the world over, both West and East. Much of the animosity regarded as racial is due to what is considered unfair in industrial competition.

There is another phase of this racial competition. Some of the Easterns are proving themselves more than the equals

of the average Western in industry and commerce, and in the chief seats of Western civilization carry off many of the prizes that Capitalism offers to eager and unscrupulous seekers after riches. This rouses even more resentment in the Western than the competition of cheap labour. But the cure in this case, whether the successful are Jews, Parsees, Japanese, Germans, Americans, or Britons, is the removal of all possibility of acquiring fortunes, which can only be at the expense of others; and that is by the establishment of Collectivism.

If the economic evils were removed, it might be found that working arrangements would be made without much difficulty in connection with both international trade and mixed populations, although, it may be remarked in passing, mixed populations composed of races that are far apart in blood and culture are undesirable, and their increase and extension should be discouraged. The Oriental races are taking an ever increasing and worthy part in world development, and in order to avoid ruinous industrial competition, unjust dealings on both sides, racial hatred, and devastating wars, it is absolutely necessary to have our mutual relations based on ethical principles. Forbearance and a desire to act justly must be manifested on both sides. Neither must take any action, commercial or political, to upset or disturb the economic conditions of the other; and each must recognize that the other has a right, by import duties or other measures, to prevent injury to sections of its industrial population by the importation of commodities at prices that defy competition, and likewise to protect itself by immigration laws to prevent an influx of cheap labour. Industrial evolution at this stage of the world's history, when mankind is aware of the evils attending its too rapid advance under Capitalism, must be so controlled that its benefits to some sections will not injure others. Backward countries have the right to protect themselves against the destruction of their long-established industries by the dumping of cheap machine-made goods—cheap, though produced by highly paid labour.

Capitalistic exploitation must be fought in every country, and especially in those whose labour is not organized for self-protection, and where the government is not in their own, conceivably incompetent, hands, but in the hands of more advanced countries. It is a mistake to dwell upon the exploitation of races, perhaps not inferior, but accidentally backward in recent economic progress, as an exceptional

phenomenon, for such exploitation does not differ from that of the so-called lower classes in Western countries. The oppressor is everywhere Capitalism, or one of the earlier forms of exploitation.

No attention whatever has been given to the principles of the fair exchange of commodities between Eastern peoples with their cheap standard of living and Western people with their expensive standards. This is a problem of ethics applied to economics than which few are more important. As no one basing his conduct on moral principles would justify the establishment of one code of morality applying to the economic relations between Westerns and another between Westerns and Easterns, let us exclude the idea of race altogether, as it is apt to complicate our investigations. First of all, what would be the economic relations between men with the same standard of comfort living in different climates, all included in the collectivist union? As we have seen, prices would be the same everywhere in the union, and therefore in a certain sense the cost of living would be the same everywhere. But if a genial climate enables people to live on less or on cheaper kinds of food, to wear less clothing or a cheaper kind, and to dwell in simpler and less expensive houses, it would not be just, if other circumstances and conditions were equal, to give the same rate of pay as to those living in a region less favoured by nature, where expenditure on these requisites of life is necessarily heavier. On the other hand, it might be that in countries where such expenditure was slight a shorter working day would be necessary for reasons of health and comfort, thus neutralizing the advantages mentioned. Every climate has its advantages and its disadvantages, and very often while there is a saving in one direction there is an increase in another. Europeans in India do not live more cheaply than at home. They eat, drink, clothe and house themselves very much as Europeans do anywhere. If they effect a saving in some things they have a heavier expenditure in others. In some parts they may save in fuel, but lose in ice and punkahs; and in other parts they may, owing to extremes of temperature, have heavy expenditure for all these and other necessities.

This leads us to consider the application of economic justice to, let us say, the conditions under the collectivist system of the natives of India with their low standard of living. The Chinese, or the Japanese, as factors in world competition, might equally well be taken. It requires great and almost impossible imaginative effort to picture the teeming

conservative masses of India with their archaic economic life organized in a collectivist union of states. It may occur to a critic who superficially surveys collectivist principles and their application that, if they were applied to India and similar countries, and these countries were organized as a collectivist unit with the states of Europe and America, there would be an immense levelling down of the standard of living of Europeans and Americans. But to what is the extreme poverty of the great mass of Indians due? Certainly not to the so-called "drain" from India to Europe for interest on capital invested there. There is a similar drain from new countries, such as Australia, Argentina, and Canada, but in spite of this drain (and nobody speaks of it as such) there is a huge profit to the borrowing countries as seen in their economic development, which without foreign capital would be of very slight dimensions. Under Collectivism interest would of course cease to be payable, and only the capital sum would be repaid. Theoretically interest is unjustifiable. But the profit on borrowed capital is undoubted, although the common people may not enjoy enough of it. The poverty of the masses of India is due in the first place to their archaic methods of production, and secondly to exploitation by their native employers, middlemen, usurers, and princes, who roll in wealth, and thirdly to the high birth rate. Before India could be admitted to the union of collectivist states to receive full benefit, she would have to work out her own salvation, adopt the best industrial processes and methods, establish her industries on the collectivist system, distribute the fruits of her labour equitably, and raise the standard of living of her people. In natural resources India is rich, and it lies with her people to exploit these resources and raise themselves economically to the level of the richer Western peoples. Their progress need not be slow. Indeed, the "unchanging East" shows unmistakable signs of great change even now. Western peoples have had to pass through many stages of economic evolution, and suffer much in the process. Much of that suffering can be avoided by the Eastern peoples, if they learn from history what the Westerns have had to learn from experience. In the past owing to the system of private property in the means of production, and the licence accorded to private enterprise and greed, the transition from one industrial stage to another has injured great masses of the people in the West; but with collective foresight and control the substitution, when and where desirable, of the highly

productive modern industrial system for the archaic domestic industry of India might be effected with practically no hurtful results to the Indian people. There seems, then, good reason for excluding backward peoples from such benefits of the collectivist union as would involve reduction in the standard of living of the more highly developed countries. The peoples of the backward countries have a standard of living to which for countless generations they have been accustomed, and which constitutes no extreme hardship to them, at least to the extent imagined by the sensitive, luxurious Western. The more advanced races have had to raise themselves from a similarly low economic level, and what they have done the less advanced can do now with greater ease, for they can learn from the experience gained at great cost by the former. There is therefore no quixotically generous treatment required. If there were a surplus of savings in collectivist countries this could be lent to help the economic development of the backward countries without interest but under due guarantees and a charge for insurance. It is only fair, however, that, if the backward countries are to have assistance for the improvement of their standard of living, they should not be allowed to reduce the standard of the more advanced, which has been gained at a painful cost.

Collectivist countries would be in a particularly favourable position for protecting their home industries, from the competition of foreign imports. Only such imports would be allowed as would not injure home production. There would necessarily be a guild organized for the special purpose of attending to foreign trade; and it would have a department to deal with imports. All trading with foreign countries would be done through this guild. Consequently home industry, that is, the production at home of commodities for home consumption would be most strictly protected. If it were found, however, that any of these commodities could be produced more cheaply abroad, and that it was impossible to reduce the cost of its production at home, it would have to be considered whether it would be more economical, and on the whole more advantageous, to give up the manufacture, lose all the capital employed therein that could not be utilized in another way, and buy the commodity abroad. But the change would be made only after it was found that the supply at the lower price was assured, and that an equivalent export of home products was also assured. The labour that had been engaged in the manufacture would then be absorbed in the

manufacture of the new exports of equivalent value. Thus security and stability would be preserved. The foreign trade guild would work in close co-operation with both the productive guilds and the distributive guild, receiving the price-lists of all their products as well as the lists of all their requirements of materials used in production, whether produced at home or abroad, along with the prices paid for the same. It would have its agents all over the world, who would buy according to orders from the head office of the guild, get foreign orders for the productive guilds, and keep the head office closely advised of all the foreign prices, even of those articles in which no trade was done at the moment in the home country. Comparison of home with foreign prices could thus be made, and if the cost of production of any article produced at home seemed unduly high, inquiry could be made into the causes with a view of stimulating improvement. Attention would have to be directed to the prices of imports in order to secure these at the lowest prices (consistent with justice), and very special attention to the prices of commodities produced abroad with which the collectivist country had to compete in foreign markets.

It would be the export trades which would present the greatest difficulties. Every effort would have to be made to retain the markets by perfecting and cheapening processes of production, and by countering the attacks of competitors; and this would be facilitated by the watch kept upon the markets by the well-organized body of commercial agents. The main object would be to secure stability of trade, which would be to the advantage not only of the collectivist country but of all countries concerned, and which probably could be secured by long contracts and commercial treaties.

The main object would necessarily be to preserve the stability of industry in all countries, changes being made only after the necessary measures had been taken to provide other work for all who would find their occupation gone. Even now in the present system all existing international industrial and commercial arrangements should only be interfered with after steps have been taken to mitigate as much as possible the suffering always resulting from economic change. Imports into a collectivist country from another country would have to be allowed in the usual volume, even if a supply at lower prices could be got elsewhere, until arrangements were made in the latter country for the change. But this would only be agreed to when reciprocity was shown by the other country.

The great difficulty in the way of making any such arrangements would be the absence of collective control in a backward or a capitalist country over its own industry and commerce. The collectivist country's contracts would be made with producers and traders working on private enterprise lines. Consequently there would be little guarantee that, if the collectivist country showed consideration for suppliers of its imports who were unable to compete with new suppliers in other countries, gratitude for this consideration would be shown by the importers of collectivist goods that were undersold and could not compete with goods from a new source. Reciprocal treatment could only be expected if the government of the backward country prevented its importers from dealing with the new suppliers by imposing prohibitive import duties. By the time Collectivism was adopted by one or more countries there would in all probability be a widespread belief in the advantages of stability in industry and employment, and governments of non-collectivist countries would be willing to enter into treaties with collectivist countries in order to ensure that stability. If they refused, collectivist countries would have a powerful weapon to use. They could apply the capitalist methods of merciless competition and would be able to apply them more effectively than non-collectivist countries. They could not in any case be in a worse position than the latter.

It would be a difficult question of high policy whether a country should forgo material advantages for an indefinite period by continuing to buy from another country certain products which it could get cheaper elsewhere, or whether a shorter or a longer time-limit should be given for the necessary industrial changes. To the commercial mind of the present day the mere suggestion of such proposals is sheer madness. Nevertheless, it is quite conceivable that a people controlled by the ethical spirit would refuse to break trading relations, perhaps of long standing, with suppliers in another country, whose subsistence depended on these relations, and who might not be able, owing to circumstances over which they had no control, to meet competition. Human nature is capable of rising superior to the temptations of mere pecuniary greed.

How would prices be determined in this trading of collectivist states with capitalist states or in competition with them? Would it be simply by supply and demand in the world-market as under universal competition? Would the

collectivist states sell for the highest price obtainable and buy at the lowest? Or would they charge for their products the actual cost of production as ascertained according to the principles applied in the pricing of their own products consumed at home? If more reasonable arrangements could not be made they would only possess a market for their products if they were able to supply them at the world-price. They would probably therefore be selling some under cost, and it seems not unreasonable to sell others, where possible, over cost in order to balance the foreign trading account. Short of the collectivist* system extended internationally there seems no other way. There would be a rough justice in it as between countries, when the trading classes in the backward country were keen and capable like those in India and China. But if these classes were undeveloped or practically non-existent, the balance of advantages would be greatly on the side of the advanced country, and if it were collectivist it would have to make a not unfair use of its position.

It is necessary to begin without delay to organize the nucleus of the foreign trade guild. We have pointed out in the chapter on Unemployment the imperative necessity of establishing at once a State department that would have for its object the acquisition of a thorough knowledge of the country's foreign trade, that would take measures to maintain, and if necessary increase it. The stability of the export and the import trades with each foreign country would have to be inquired into, and statistics got from firms in the foreign trade, as suggested at the end of the previous chapter. The assistance of exporters and importers, whether merchants (middlemen) or manufacturers, would have to be obtained, as well as that of consular or commercial agents abroad. Competition, actual and prospective, would have to receive the most careful observation and study. Inquiry would have to be made into the capacity of each foreign country to supply the full quantity of every commodity required by us as well as by all countries, and to demand sufficient commodities from us and them in payment. If our exports should be found to be decreasing, the causes would have to be discovered; if it were due to incapacity on the part of either employers or workmen, the State would be entitled to insist on improvement. If the decrease were owing to a country beginning to produce for itself what it had been importing from us, the questions to be answered would be: how are we to pay for imports; will something else be accepted in payment; and

can we supply it, or must we and can we sell our exports elsewhere.

In passing it may be pointed out that at present the figures of the foreign trade include the imports that cover the return from investments made in foreign countries by people here. But the imports from these countries, that these dividends resolve themselves into, must be discounted, because they have not to be paid for by exports from the investing country. Under Collectivism such unpaid-for imports will cease, and the result will be that the population of a country that draws dividends from abroad will have to be reduced, or the imports that are represented by these dividends, and that indirectly support a section of the population, will have to be paid for by exports. In view of the trend all the world over regarding the moral aspect of dividends or unearned income, the position of countries with large investments abroad, creditor countries, is very precarious indeed, and great care will have to be taken during the period of transition to prevent serious disaster overtaking such countries through repudiation, not of the repayment of loans (for that cannot be justified), but of the payment of the interest on the loans. But that does not concern us at the present moment.

It would be impossible under private enterprise to deal with the intricacies of the innumerable petty items of foreign trade. Only our staple imports from each country and our staple exports to each could be dealt with. Even then it must be recognized that there is a considerable danger of the establishment of a useless and expensive State department. But if the objects to be aimed at were apprehended and kept in view, that danger might be obviated. A large staff would not be required for the simple tabulating work. But highly trained officials would be required for interpreting facts and figures, and for negotiating commercial treaties. Would it not be advisable to encourage or even insist in the users of each kind of staple import required for manufacture or finishing process, and the dealers in each kind of imported finished staple, to form an association for the purchase of the goods, and for collecting all necessary information regarding prices and prospects? They would profit by having one buying association against many sellers. Similarly, all producers of each kind of staple export would form an association to sell it. Most of the work is done now in a partially effective way for their individual benefit by the merchants engaged in exporting and importing. Experts could be got for the associations

from the firms handling the traffic now. These associations would gradually come under State control, and from semi-official become wholly governmental. The process will necessarily be slow, and therefore for a long time dislocations in foreign trade will continue to be responsible for unemployment, and palliative measures will have to be resorted to during that time.

In this, as in all movements from the capitalist system to the collectivist, the utmost caution must be exercised. We must not relinquish any economic method of proved value although accompanied by many imperfections, until we are satisfied that the new method will be much better ; and every effort must be made to have the gradual substitution of the one for the other. Evolution, not destruction followed (perhaps) by reconstruction, is wanted.

CHAPTER V

PRICES

POLITICAL economists for several generations have been carrying on interminable discussions on the Theory of Value, which at least serve to show the futility of attempts to explore the labyrinthine tangle of the movements of prices under Capitalism. It is true that, in the course of these investigations and discussions, light of scientific and practical value has been thrown on the nature of capitalist production and distribution, but the maze remains as much a mystery and inconvenience as ever. The economists have industriously tried to discover order in the confusion, and after eliminating all sorts of disturbing influences, have elaborated elusory "Laws," which after all are of little practical value. They have much to say about the "Normal," about "Equilibrium," and so on. But these are only fictions existing in their imagination. In the capitalist system it is the abnormal that is normal, to borrow Bernard Shaw's witticism, and equilibrium simply does not exist. Constant fluctuation of prices leading now to the unemployment and ruin of producers, now to the impoverishment of consumers, is the normal situation; and economists complacently try to discover the "laws" of this fluctuation, instead of devising an economic system that would be free from the factors that disturb "equilibrium." Collectivism would provide the cure, is in fact the only form of property-holding and wealth production in an advanced and complicated industrial system with mass-production that can secure stable production, equitable distribution, and steady prices.

We shall devote the present chapter to describing the manner in which prices will be determined under Collectivism or, to use a less prophetic expression, to suggesting how it ought to be done. After that has been considered, it will be possible to make a comparison between the two systems, and to see whether as much time, paper, and ink will have to be devoted to formulating a "Theory of Value" for the

collectivist economic system as have been wasted on that of capitalist economics.

Prices under that system will not be decided by the blind interaction of supply and demand, driven by the forces of greed on the one hand and need on the other. They will be controlled and fixed by the proper departments or guilds according to accepted principles. The community will no longer be at the mercy of unbridled economic forces, but will control all these forces by collectivist organization, and so work out its economic salvation.

The unified co-operative organization of Collectivism will render it possible to ascertain the true cost of production of a commodity (that is, the "human cost"), and this will determine its price. If there is no demand at that price, the article will not be produced. In that price three of the constituents of price under Capitalism will be absent, namely, rent, interest, and profit, since land and industrial capital will be common property in the charge of public departments or guilds. The expenses incurred by any given guild during a sufficiently long period will have to be ascertained, and apportioned to the commodities produced in that period. They will include (1) the pay of all the members of the guild or industry—how that will be determined will be considered in a separate chapter; (2) the cost of the raw or partly manufactured materials required for the production of the commodity; (3) the cost of the maintenance and replacement of the buildings, machinery, tools, and capital of every kind required in the manufacture; (4) the insurance premiums for every kind of damage and accident; (5) the cost of the technical education of its workers; (6) the new capital required for extension; (7) a certain percentage for contingencies, such as unforeseen but not improbable increases in the prices of raw materials due to the caprice of nature, also for possible losses due to unpredictable fluctuations in demand, requiring for instance the maintenance of the income of the workers while on short time; (8) the cost of transport, estimated in such a way as to distribute economic rent equitably. None of these constituents of price needs any elucidation except the last, which seems a rather mysterious item and will therefore receive attention subsequently in this chapter.

Arrangements, as we have seen, would be made with little difficulty to estimate the demand for each commodity, and each guild would attend to the timely and steady production of its goods. It would distribute the orders among its various

producing centres, so that each would produce for the districts nearest it, limited of course by its powers of production. If there should be an important and apparently permanent increase in the demand from one district and a falling off from another, a change in the producing powers of the respective producing units would have to be made, provided that the cost of the change was justified, that it would be less during a reasonable period than the charges for transporting the goods produced at the distant centres to the district of consumption.

Each productive unit would send a return of its expenses and of the out-turn of its products to the head office of the guild, where the average price for the whole country would be struck, and this would be the selling price everywhere. Accountancy under Capitalism has reached a high degree of excellence, but doubtless it will be improved and adapted to meet the demands that will be made on it under Collectivism, especially in the department of costing.

The constituents of price have been stated. In the case of a commodity that is the sole product of any given effort of labour, the price would be fixed in the way just described, all the expenses of the guild being recovered by the sale of the total product. This system can also be adapted to the case of different kinds of commodities produced in the same industry, when labour expended in the production of each can be separately noted and calculated, for instance, motor lorries, cars, and bicycles in the same workshop. In all well-conducted industrial concerns this is done, although it is true that, as Prof. Marshall says, "in manufactures and agriculture, in the carrying and distributing trades, it is often a matter of the greatest difficulty to decide what are the real expenses of any one of the many operations that are being done at the same time." It would at least be as easy to get over that technical difficulty under Collectivism as at present.

But there is considerable difficulty in the case of commodities produced necessarily and contemporaneously along with other commodities with the same effort of labour, namely, joint products. Let us consider then the case of fixing the prices of what Prof. Marshall terms "joint products." According to his definition, "when two or more things are produced by one and the same process ; so that the expenses of producing them all together are not greater than the expense of producing one of them alone would be ; then these things are called joint products. Thus wheat and straw are joint products ; beef and hides are joint products." Under Capitalism producers

have to take for each of the joint products the prices they can get, and trust that the interaction of supply and demand will allow a price that will cover the expenses of the whole process of production plus at least ordinary profit. If the interaction of the forces of supply and demand yield a total income to cover the total expenditure, plus a sufficient profit, there is considerable satisfaction.

How could the prices of such products be fixed equitably under Collectivism? The same expenditure of capital and labour produces hides and beef simultaneously. What share of the total cost of production ought in equity to be borne by each? Not only are beef and hides joint products: the beef itself comprises many different parts and qualities of flesh, which in a sense are joint products also, although used for the same purpose, namely food. At present with indefensible inequality of incomes the prices of the choicer and more desirable parts of beef relatively to those of the inferior parts exceed those that would be current in a system in which there would be practical equality of incomes. But there will always be a greater demand for some parts than for others and people will be prepared to pay more for them. It indicates exactly the public appreciation of the relative use-values. At present the prices of joint products used for the same purpose (say, for food, as in the case of the various parts of beef) are really fixed by the relative demand. Under Collectivism it would soon be found what the relative proportions should be, and the actual price of the parts would be fixed according to the value of the whole. If the demand for a certain part should show a permanent increase and there was actually a shortage at the current price, it would indicate that as an article of food it was underpriced, and the price would be raised, the other parts being proportionately reduced. Thus we see that it would be a simple enough matter to fix the prices of joint products that are used for the same purpose—in this case, for food. But we are still without a solution of the problem of fixing the relative prices of joint products used for different purposes.

We have to discover the ratio, if any, between joint products for different purposes, such as hides and beef. Communists, naturally, will say that it is a matter of little importance, as both products are used by the people, and in practically equal quantities, that if they pay more for beef they pay less for boots. But it is desirable in the highest degree to have every industry established on an independent economic basis, and

to have the price of every commodity expressing the human cost of its production, neither more nor less. Not only is this desirable from the point of view of equity, but in the interest of true economy, for it is uneconomical to encourage consumption of any commodity by placing part of the cost of its production on another.

The same question arises in connection with what are called bye-products, which are to be found in so many industries. Bye-products are really joint products. Some joint products are called bye-products for the evident reason that in the organization of the industry producing them there is no intention of producing them—they would be thrown aside as waste products if no use were found for them. In many cases what is a bye-product in one industry is the main or primary product of another. In fixing the price of a bye-product of this sort a very fair method appears to be that of applying to it the price that represents the cost of production of the main portion of the same article produced for its own sake—which is what is approximated under the competitive conditions of Capitalism. The guild responsible for the production of the main portion would buy the portion produced as bye-products in other industries, and would keep itself informed of the quantity likely to be produced as bye-products, so that it might regulate its own activities.

But on what principle are the total expenses of an industry to be allocated between its joint products, when these are not used for the same purpose, or when they are not bye-products of a kind of which the main portion is produced specially for its own sake? Can we not find one general principle that will suffice to fix the prices of all joint products, whether they are used for the same purpose or not, or whether they are bye-products or not? Let us work the problem out. In the cases already considered we have found that an adaptation of the Law of Relative Demand of the competitive Capitalist system can be used under Collectivism for deciding the relative prices of certain joint products. Why should it not serve equally well for the remaining cases? Take the concrete case of beef and hides to represent all joint products used for different purposes. If the demand for one joint product be increased at a greater relative rate than that for the other, the cost of the extra production of the combined joint products is necessarily and properly to be charged against the joint product for which there is this disproportionately increased demand; but this extra cost may be reduced if the demand

for the other joint product be increased by the temptation of a lower price. If, for instance, there is a sufficiency of beef, but a shortage of hides, and in order to meet the demand for hides more cattle are slaughtered, the production is thus increased until the necessary increase of price reaches the point where effective demand ceases, the price of hides rises and the price of beef falls, the limit of the former being the point where there is no further demand at the higher price and of the latter where no reduction will induce further consumption.

Suppose the production exactly equal to the demand, viz.

100,000 lbs. Beef at 1s.	£5,000
10,000 lbs. Hides at 1s.	500

or £5,500, the total cost of production. The demand for hides alone then increases by 20 per cent; this means an increase of 20 per cent. in the beef produced, the total cost being £6,600. If the extra beef were unsaleable, the cost of 12,000 lbs. hides would be £500 plus £1,100, the 20 per cent. extra cost of the total production—always supposing of course that the demand would hold, despite the high price. Hides would then be 2s. 8d. per lb. If, however, all the beef could be sold at the average price of 10d. per lb., waste would be avoided and equilibrium attained, or if at 11d. there would be a substantial reduction in the price of hides.

120,000 lbs. Beef at 10d.	£5,000	at 11d.	£5,500
12,000 lbs. Hides at 2s. 8d.	1,600	at 1s. 10d.	1,100
	£6,600		£6,600

The equilibrium must be attained; and it can only be attained by tentative movements of prices. Relative prices of joint products can only be decided by external circumstances—external, that is to say, to the conditions of the industry responsible for their production. At present they are settled by competition. Under Collectivism the relative demand would be ascertained in a better way. The organized Collectivist system would be more sensitive. Information as to demand and relative demand would be collected expeditiously, and considered at the central offices of the guild. The guild could act on it at once, and by reducing or raising prices, maintain the equilibrium of demand and supply. The object of the guild would be to produce that quantity of joint products for which there was an effective demand at

prices that would cover the total cost of production. If the demand for one joint product at a certain price were not satisfied, and if the demand for the other should not increase at all or at the same rate even at a reduced price, the whole extra cost must be covered by the increased price of the former. But it is difficult, in fact impossible, to predict what effect even a slight increase in price may have on the demand, and therefore great caution must be exercised in investing fresh capital for the purpose of greater production. Fewer mistakes would be made under Collectivism when the finger of the central office of the guild would be on the pulse of the demand, and when the experience of the past would be a matter of common knowledge in that office, than under Capitalism, when individual producers are all in the dark as to the general situation and the intentions of their competitors in the business.

We have considered the method of fixing prices of commodities divided into the following three classes :—

- (1) those of which each is the sole product of any industry ;
- (2) those produced in the same industry, but with different efforts of labour, which can be checked and valued separately ;
- (3) those produced in the same industry contemporaneously by the same effort of labour, namely, joint products.

All these goods fall naturally into two divisions : namely, into those, on the one hand, of which the raw material can be procured with certainty in the desired quantities ; and those, on the other hand, of which the supply of raw materials is unpredictable owing to the capriciousness of the forces of nature. Difficulties, and they are not important, in the way of fixing prices, arise only in the case of the latter class, which includes the products of agriculture, horticulture, and the fisheries. Unless the surplus of one year or season can be stored and used to cover the shortage of a later period, and an average price struck, it would be necessary to let prices fluctuate with the actual return to labour—high prices in bad seasons and low prices in good seasons. Prices of perishable products would necessarily fluctuate greatly, although less than at present, for transport facilities and organization for distribution could and would be much improved. With easy access to consumers, rich fruit harvests and unexpectedly heavy fishings would be quickly distributed. We frequently hear of fruit being left to rot, because the prices obtainable

do not pay for picking and transport, and of fish being used as manure or pitched into the sea, when too plentiful. Under Collectivism it is conceivable that some times the same thing would happen. If prices were reduced to a level low enough to capture the indifferent and sell off everything, the proceeds might be insufficient to provide adequate payment for the labour concerned, while if a smaller quantity were sold at a higher price, that is, to people who did not require to be induced to buy by inordinately low prices, the proceeds might be increased to the amount desired. It will have to be learnt from experiment and experience what limits of reduction would be safe. Much would no doubt be done to prevent waste by the canning of surplus products or by other means of preservation, but that also would have its limits.

There is also the question of the prices of those natural products for which the demand will always be greater than the supply at actual cost of production. A system of rationing, a form of distribution with which the War has accustomed us, seems the fairest.

Without having exhausted consideration of the many problems of price, but having given some indication of the way in which they should be investigated, let us now turn our attention to a very important problem. Arrangements will have to be made to ensure the equitable distribution of economic rent, and this will be effected through the medium of prices of commodities. As most people know, economic rent is the value of special natural advantages, either of fertility of field or mine, or of proximity to market. This is appropriated at present largely by the proprietors of the land. In the future how can it be equitably apportioned? This would be a simple matter with regard to fertility, for the various values would be pooled. The agricultural guild would strike an average price, the high cost of production on the poor lands that must be cultivated to supply the demand being thereby reduced by the cheaper production of the rich lands. In the present system the market price must be sufficient to pay for the cultivation of the poorest land in cultivation and provide a profit, and all land superior to the poorest in cultivation furnishes to the landowners economic rent varying with this superiority. In the same way the cost of production in mines of varying richness would be averaged or pooled. The economic rent of shops would disappear under Collectivism with the abolition of private ownership and the institution of the average price.

The main difficulty arises in connection with proximity of market—with the relative distance of each district from the aggregate of producing centres. To explain. A fishing station, or a mine, or a forest, may be far from the various producing centres from which the workers at any of these have to get practically all their articles of consumption, while another fishing station or mine or forest may be quite in the midst of these centres, the consequence being that the carriage on the articles required to be imported for the use of the workers in the first case is heavy and in the second light. This difference in carriage places the second class of districts in a more favourable economic position than the first; and the total difference in carriage in proportion to population in a given time is economic rent, which is appropriated by the capitalist employers of the district. The cost of production, in so far as it is affected by the transport, is greater in the one case than in the other, and as there is one market price for the products, the advantages of the favoured localities are at present shared between the landowners and the industrial exploiters of these districts. Under Collectivism this kind of economic rent like other kinds would have to be appropriated by the community and used to reduce prices all over.

It is self-evident that every district where industry is carried on for exchange is inhabited and exploited because its products are required by the community, or, to be more exact, by those members of the community who use the kind of commodities produced there and elsewhere. Therefore the inhabitants of such industrial districts, if they happen to be far from the aggregate of producing centres, ought not to be charged more for the goods they require to import from other industrial districts than the inhabitants of any more favourably situated industrial district, nor should they benefit by close proximity thereto. Since the reason for the existence of an industry in any part of the country is that there is a demand for its products, justice would be ensured if all the transport charges on imports into any place were charged against the exports from it. These charges on imports are really part of the cost of production of the exports. If the workers in any district had to pay more than the average for their articles of consumption they would be entitled to receive higher pay to cover the excess. The simplest and fairest system would be to sell every commodity at the same price everywhere, the carriage on all the imports of each district being added to the price of the articles produced and exported from that district.

The carriage on commodities required in the production of the exports would be charged directly against the industries receiving them; while all the other imports, whether for purely local services or for consumption or use by individuals, obtained through the distributive guild would be charged against the various local export industries by the local branch of the transport guild in proportion to the wages and salaries paid in each. All inhabitants would be placed on the same footing, whether directly engaged in these industries or not, for, besides the workers in these industries, there would only be people who were performing useful services for them, or who were dependants, or were crippled or retired. Hotels and boarding-houses for travellers, tourists, and holiday-makers ought, and would if it were found important enough, have to pay full carriage. Periodically the carriage on imports would be collected from the industries as described, and there would thus be a considerable saving in clerical work, in the rendering and collection of accounts. This carriage would be included in the cost of production, and would be shown in the balance sheet sent to the head office of each guild. The local guild would strike the price of their local products, and when similar figures were received from all the industrial units, the head office would strike the average price for the country, at which their product would be sold everywhere. From the figures supplied by each industrial unit it would be possible to tell whether any of the units owing to its geographical position should be closed or transferred as unprofitable.

No doubt if such a system were in operation, problems would arise which do not occur to one now. But if sufficient forethought were exercised, many might be thought of now and solved, in theory at least. One of these occurs to the mind. Take the case of a pastoral district with wool spinning and weaving mills, which imports coal besides other articles of consumption. Suppose the coal guild in its prospecting (carried on with special funds raised from consumers by an addition to the price) discovers coal in the district and sinks a pit, but finds that the seams are so poor that the cost of production precludes the export of the coal to other districts, which can be supplied at less cost from the other mines. It is found, however, that, although the cost of the coal at the pithead is far above the average, it can be delivered at a lower price in that pastoral and manufacturing district than the coal from the other mines, when the cost of transport is taken into account. Clearly, it would be the best economy to supply

the district from the home pit. Who ought to get the benefit of the saving? And would any suffer from the change? The consumers of the exports from that pastoral and manufacturing district would benefit by the saving of transport charges on the coal. But coal consumers generally would have prices increased because the average cost of production would be raised owing to the inclusion of the new and expensively worked pit. Evidently coal consumers would suffer, and the consumers of pastoral products and woollens would benefit. Still, as consumers of the products of the said district and similar products elsewhere, the coal consumers would derive some benefit, while the principle of economy as exemplified in this case would, if consistently applied, benefit the whole community, which is the most important point. The cost of the total production of the community would be reduced, although the distribution of the cost would be less equitable. The gains and losses, then, should perhaps be put against each other. If the newly discovered coalfield had proved a rich one, the average price of coal would have fallen, and the coal consumers as well as the other classes would have benefited. But as that argument does not seem quite satisfactory, is the following not a possible solution? When a coal mine is used solely for a distant district, why should it not be excluded from the list from which the average price is struck?

While the local export industries would be charged with the actual cost, private consumers getting coal from the same source would be charged the average price charged all other consumers in the country, the local industries paying the difference in price. But as inferior coalpits in other coalfields will be worked in close proximity to rich ones, and as the only equitable way in these cases is to average the cost, why should an exception be made of an inferior coalpit worked in and solely for an outlying district? If the industrial district were a newly settled one, organized because of the convenient supply of raw material, it does seem a hardship that coal consumers should pay a higher price, because the consumers of the products of this district wished cheaper supplies. On the other hand, if coal happened to be got there with less expenditure of labour than elsewhere, but owing to heavy transport charges it were useless for export from the district, the price of coals would be reduced, the average being less. Would the coal consumer complain then? But is justice achieved when a possible loss is regarded as counterbalanced

by a possible gain? Frankly, it does not appeal to me as quite satisfactory in theory. But the fact is that such a problem can hardly be conceived as arising in a well-populated and well-developed country. Let us follow up the course of justice in this distribution of economic rent, from the simplest society to the more complex, and see whether we can reach a solution in that way. First, we have one district with its single coal-pit, or with its two pits with different costs of production. There is no trouble in this case—one price being charged to all. What difference does the widening of borders make? Widen them until a new coalfield is discovered. If the extension were due to the growth of population, the cost of production of the coal ought to be pooled, and one price would range. Second, suppose a distant part of the country opened up, not as an outlet for a surplus population, but merely for the production of a particular commodity, and suppose coal is worked there at greater cost than the average. It would seem quite just to charge the consumers of that commodity with any excess over the average elsewhere in the cost of the coal supplied to consumers in the district, and if the coal were cheaper, to charge the consumers there the average price prevalent elsewhere, and credit the consumers of the district's export commodity with the difference. That is to say, charge the industry with the actual cost of the coal. This could and should be done in a clear-cut case such as that imagined. But the great difficulty in practice would be to discriminate between districts, in fact quite impossible and unnecessary in well-populated and well-developed countries; and therefore for practical purposes the possible gain may be set against the possible loss as satisfying the ethical demand.

Ethical and economic re-adjustment of industrial arrangements will entail many changes. In probably no department or service will this be greater than in the transport services, and we must consider the method of fixing the prices of these services. Road, railway, canal, and coasting traffic will have to be co-ordinated for the better conduct of the home trade, and overseas traffic will have to receive special treatment. At present the first four of these methods of conveyance compete with each other, not always on an equitable and economic basis. The changes required in the transition from private competition to national co-operation will evidently be very great. The cost of each method of transit will have to be compared with that of each of the others, and it may be that

there will be a redistribution of functions and each will be used for different classes of goods and services. In any case they will be all treated as one system, and each will be utilized so that the whole system may give the greatest productive results. There will be none of the competition that falsifies results at present.

The incidence of transport charges having been already considered, attention must be directed to the method of fixing the rates, and also to what is equally important, the co-ordination of the traffic by road, rail, river, canal, and sea. When all these means of transit are public property managed on a co-operative basis by one public body, the transport guild, the endeavour must be to conduct the whole transport business in the most economical way possible. The congeries of difficult concrete problems which this involves can, naturally, only be solved by the guild after its institution. The only matters for speculation at this stage are the principles that must be applied in the solution of such problems.

In the first place, what are the constituents of transport rates? Under Collectivism there would be no trouble with rent, interest, or profit. But the capital would require maintenance and renewal, and provision would have to be made for new developments. In the case of railways and roads there would be the permanent way, the rolling stock, and buildings; for canal and river traffic there would be embankments, dredging, locks, quays, and vessels all requiring attention; and for sea traffic, harbours, docks, fairway buoys, light-vessels, light-houses, life-boats, and ships would have to be provided for. Another item would include stores and materials necessary for the business, while another item would include all payments for labour, including general management.

The main difficulty does not lie in the ascertaining of the working and maintenance expenses, but in the incidence of their distribution on the goods carried.¹ The guiding principle

¹ As quoted by Mr. J. A. Marriott, M.P., in the *Fortnightly Review* of June, 1921, the "recent" report of the Rates Advisory Committee (cmd. 1098 of 1920) lays down two "major principles governing the fixing of railway rates, tolls, and charges for the carriage of merchandise." "First: Such charges must in no case be less than the cost to the railway companies of rendering the required services. Second: They must in no case be more than the value of the services."

But how is the "value" of the services to be ascertained? "The Committee points out, there must be included in the 'cost', wages, the purchase price of materials, maintenance, repairs, renewals, and interest on capital. The difficulty lies in allocating the proportionate share of such charges to any given item of commodities carried."

is that each kind of traffic must bear the actual cost of its transport alone. The actual expense of maintaining and renewing each section of railway must be ascertained and charged against the traffic passing over it. This traffic must also bear its share of the labour involved in transport, as well as its share of the terminal charges, including handling, and of the expenses of general management. All figures must be worked out carefully so that the traffic over each section bears its share to the full, no more and no less. It must be placed on what is called by the newspapers "an economic basis," which is very seldom done in the present system. But how is the share to be distributed over the different kinds of traffic carried? The permanent way suffers in proportion to the weight passing over it, and therefore in fixing the relative rates of heavy traffic and of light, bulky traffic, the gross weight should be taken as the basis, that is, the weight of the trucks or waggons as well as the contents. For instance, fifty tons of lead ore may be carried in five trucks, but only twenty-five tons of cured herrings in the same number, and a less weight of wool, or carbonate of magnesia. If the trucks weigh eight tons each, there would be a total weight of ninety tons in the first case, and sixty-five tons in the second. If the wear and tear of the permanent way were 5s. per ton gross weight on the average tonnage carriage, this would amount to £22 10s. for fifty tons lead ore, or 9s. per ton, and on the herrings £16 5s. for twenty-five tons, or 13s. per ton. The carriage ought to include the cost of returning the waggons, if necessarily empty. Then there would be the wear and tear of the trucks. That would depend on the distance run, and the nature and weight of the goods carried, and this could be estimated closely. There would also be the haulage, which would be estimated on the life, maintenance, and cost of running of the engine per ton mile. The labour of drivers, firemen, and guards would have to be included, as well as the expense of loading and discharging. Careful records would have to be kept and the estimates worked out. As the railways are a going concern, and much of this information is in their books, and as the traffic passing over each section is known, provisional rates could be struck, and these could be rectified from time to time. There would be no competitive rates,

The committee observe "The length of haul, the quantity of the consignment, the other traffic offering, will affect the individual cases, and the appropriate charges can only be fixed by reference to a principle of average." (p. 6).

whereby at present, in order to catch traffic on the "beggar your neighbour" principle, unremunerative rates are quoted, and the loss hidden by excessive rates on other traffic or over other sections—the usual slovenly, inequitable, communistic-like accounting found under Capitalism.

Railway passenger traffic would have to pay its fair share of the expenses just mentioned, and here again the railways have data that would allow of fares being fixed in a perfectly equitable way. The present haphazard system would cease, and passengers would pay exactly what it cost to carry them. As regular passenger trains run sometimes with many, sometimes with few passengers, the average must be taken in order to fix the fares.

Road traffic would have its rates fixed in a similar way. Instead of the upkeep of the roads being collected from the ratepayers and the taxpayers, it must be charged against the traffic. Owing to the increasing use of the roads for the conveyance of traffic, resulting from the development of the motor vehicle, this reform is now urgently required. The carriage of merchandise and of passengers by public vehicles would be entirely in the hands of the transport guild, and there would be no need to re-establish tolls, as the expense of road repairs would be imposed at the source. Private vehicles would have to pay a tax sufficient, according to estimate, to cover the damage they do to the roads, and this would be paid to the transport guild, which would be responsible for their upkeep.

With goods carried by sea, river, or canal, there is a certain difficulty. Many kinds of cargo can be carried in the same ship, while in railway trucks, owing to their size, only one kind is usually carried. When a ship carries a full cargo of pig-iron, she is loaded down to her loadline, and yet has much space left which cannot be utilised. If loaded with barrels of herrings or with potatoes, she is probably down to her loadline and has no space left for any more cargo. Again, if loaded with bulkier cargo, even if full, she is not down to her marks. It is clear that apart from the labour involved in loading and discharging, the full proportion of maintenance, depreciation, insurance, crew's pay, coals, stores, etc., for the voyage must be borne by each of these cargoes, and the rate per ton will differ in each case. The expense of the return voyage, if there be no return cargo, must be included. With return cargo, the total expenses out and home must be proportioned between the different cargoes. So far the

problem is as simple as in the case of railway rates. But with mixed cargoes another problem is presented. A ship loaded partly with pig-iron, or other very heavy cargo, can be filled up with bulky cargo such as wool, and be quite down to the loadline. The same total freight must be charged, but how is it to be distributed between the pig-iron and the bulky cargo? If the total expenses be £1,000, and the ship carries a full cargo of 1,000 tons of pig-iron, the rate would be 20s. per ton. If she carries a full complement of bulky cargo, let us say, 500 tons, the rate would be 40s. per ton. But if a full cargo of 700 tons of pig-iron and 300 tons of bulky goods were carried, and the freight were proportionately reduced from £700 for the former and £600 for the latter to £538 and £462 respectively,^{*} the rates would be only 15s. 4½d. and 30s. 9d. This proves the necessity of arranging cargoes with judgment, if economy is to be secured. With the fore-knowledge of the cargo that would have to be carried over any given period—fore-knowledge which it would be possible to be provided with under the co-operative system of Collectivism, for it would be possible for the various productive guilds to state long beforehand what materials they would require to have carried during a given period or season—it would be possible to arrange for vessels to carry full cargoes so composed that the greatest economy of cargo space could be secured. The saving in sea-carriage alone by the substitution of Collectivism for Capitalism would be enormous. Great administrative ability would be required for the co-ordination of sea-borne traffic and its economical transport. Rates would have to be fixed with a margin for unpredictable expenses due to bad weather, accident, want of return cargo, etc. But efforts must be made to apportion all expenses for each route over all the cargo carried between the terminal ports on a strictly equitable basis. Only in this way can the economic advantages and disadvantages of localities be ascertained. There must be no flat freight rates pooling the advantages and disadvantages of different routes. Of course average freight rates must be levied for each regular trade route, and not the actual voyage expenses on each cargo. If there were plenty of cargo of average bulk or of mixed heavy and bulky cargo, ships could be run most economically, and

^{*} 700 tons pig-iron at 20s = £700; 300 tons bulky cargo at 40s. = £600; total £1,300. Distribute the surplus of £300 in proportion to the freight on the cargo if carried alone—1,300 : 700 :: 1,000 : 538; and 1,300 : 600 :: 1,000 : 462.

rates would be low. With less suitable cargo, rates would be higher. They would differ per ton-mile in every trade route. The relative rates on the different classes of goods would be difficult to fix but in any case they would be fixed according to certain recognized principles, and not as now simply according to what it is supposed "the traffic will carry."

Under Collectivism the different modes of transit would no longer compete with each other. The transport guild having all transport in its hands would direct traffic by the cheapest transport system. Coasting steamers would probably carry long distance traffic to distributing ports, and also oversea traffic from and to the large steamers, which could only trade with ports that could accommodate them; and in general they would be specially suitable for bulky goods and for raw materials. Canals and rivers would to a certain extent serve the same purpose. The railways would be specially useful for the short distance traffic everywhere, and for long distances in the interior which could not be served otherwise. The public highways and roads would have to be used only as supplementary to the railways. This would be more economical and would reduce the dangers to life and property. Road motors are at present snatching much traffic from the railways; but if they, instead of the ratepayers, had to pay for the damage they do to the roads, most of them would probably disappear.

The transport guild would have to aim at carrying all goods by the cheapest modes of transit. By the exercise of forethought goods could be ordered long in advance, and there would therefore be little need of speed in delivery. The holding of small stocks, the quick turn-over, the hand-to-mouth system of production and distribution are the necessary outcome of private enterprise, in which the proprietors of each industrial and commercial unit are concerned for the purposes of profit to have the least possible stock on hand, in order to reduce the charges of rent and interest. Their constant endeavour is to get their suppliers of raw and other materials to hold them, perhaps at a loss, until actually required, when speedy delivery is insisted on. The Collectivist system would substitute steady regular work all the year round for the present periods of complete or partial idleness with fits and starts of feverish activity.

The transport guild like all other guilds, while securing efficiency with economy, must be mindful of the comfort of the general public, who also have rights and interests in the

roads. As we shall suggest in a later chapter, it would be one of the functions of the town councils and county councils to see that these rights and interests were not disregarded by the transport guild, which would have to keep strictly to the principles and practice enjoined by act of parliament. Recourse could be had by the councils to the law courts, if the guild refused to concede to their demands, and it seemed that the law was being disregarded. If the law required amendment, steps would have to be taken by the councils in concert, with the support of public opinion, to get parliament to take action.

CHAPTER VI

THE REMUNERATION OF LABOUR

THE difficulty of ascertaining the principles according to which the product of labour ought to be divided between the workers, and of discovering a workable application of them, is perhaps greater than that of devising the economic mechanism of Collectivism. Collectivist production and exchange, the national ownership and management of practically all industrial concerns, it may be safely predicted, will be working smoothly long before there will be more than moderate satisfaction with the relative rates of pay for the innumerable kinds of work and service, and with the arrangements for securing equity of payment in the same occupation.

Capitalism is condemned on many counts, and one of these, not the least important, is the shocking inequity of its relative rates of pay for work. John Stuart Mill said long ago, and his statement still holds good, although there have been many changes for the better, that the produce of labour is apportioned "almost in an inverse ratio to the labour—the largest portion to those who have never worked at all, the next largest to those whose work is almost nominal, and so in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to earn even the necessities of life." Justice demands the reversal of that scheme of remuneration. Labour as well as Capital can exploit labour. The aristocrats of labour, skilled or unskilled, as well as capitalists, must give up their privileges.

By what standard, we must ask with Mill, are the many kinds of work to be measured one against another under Collectivism, and "who is to judge how much cotton spinning, or distributing goods from stores, or bricklaying, or chimney-sweeping is equivalent to so much ploughing?" Mill puts the problem in a nutshell, and the sooner a serious and general

effort is made to solve it the better. Mill points out that it has been frequently proposed, as a solution of the difficulty, to cause every able-bodied man to serve a certain portion of his time in the disagreeable occupations. This proposal has the attraction of being perfectly fair, and would certainly have to be enforced, if, in a state of equal freedom, labour could not be attracted to socially necessary work by the inducements offered. But the economic and moral advantages of free labour are obvious, and it seems probable that sufficient attractions could be offered. What is required is the determination of the rates of remuneration for work according to ethical principles—which however is not so easy as it seems. The objects to be aimed at are the following:—equality of treatment; healthy and pleasant conditions of labour, as far as possible; compensation for disagreeable, difficult or dangerous work; and the maintenance and increase of efficiency.

No doubt, in the early stages of Collectivism a rough estimate will be made of the advantages and disadvantages of different kinds of work, which will probably meet with considerable approval; and continuous efforts will be made to devise methods for measuring them in a more satisfactory way. A wages or remuneration board ought to be appointed even now, whose duty it would be to collect facts relating to every kind of work and service in the economic life, and to devise means of measuring the human cost of each kind. Before it the craft unions would lay their complaints and proposals. This board would have to be composed of men and women specially suited for such work, with the necessary scientific mind and equipment. They would require to specialize in the work, and would have to be permanently engaged in it. How and by whom they should be selected and appointed are questions that call for much deliberation and discussion. Suffice it to suggest here that such a board should be composed not only of men and women who have closely studied such questions, and discussed them by writing and speech, but of persons who, with perhaps less expert knowledge, but with just as deep interest in the problems, are experienced in practical industrial life. In the early stages of its existence it would have to do much research work, publishing and popularizing its discoveries and proposals. A step in the right direction has been taken by the Industrial Fatigue Research Board. Public discussion of all such matters ought to be encouraged. Much trouble would be avoided if wide publicity

were given to full and clear statements of the problems dealt with, and of the reasons for the decisions, together with all the data pertaining to the subject bearing both favourably and adversely on such conclusions. Government would legislate on the basis of the board's conclusions, if it saw fit. In the later stages, after the confidence of the community had been won, and the fitness of the board recognized, all complaints and disputes about the remuneration of labour might be left entirely to the board to settle, parliament however retaining its right to veto any of its decisions, a step unlikely ever to be taken except in the case of overwhelming opposition of the community to a decision. The decisions of the board, therefore, would have the effect of law, and would be so accepted in the courts of law. The equivalence of work and pay in all occupations would thus be settled by an entirely unprejudiced body of qualified persons of just and logical mind, careful scientific training, and wide practical knowledge. Working hours and pay would not depend, as at present, on supply and demand, in the struggle between trade unions and employers' federations, or on haphazard government orders, or ill-considered acts of parliament. They would be adjusted, as far as humanly possible, in accordance with the principles of justice, and this would be done with due deliberation in open court, full publicity being given and criticism considered and met. Consequently, confidence would be felt in the board, and acquiescence would be shown in its decisions, which would always be open to criticism and revision. These decisions, as we have said, would have the force of law, although the powers and constitution of the board itself, and its decisions, would of course be under parliamentary control.

There are naturally two divisions of the inquiry into the question of the remuneration of labour : first, the investigation into the proper methods of determining the pay of individual workers at the same kind of work ; second, the investigation into the proper methods of determining the relative pay and conditions for different kinds of work.

The general principle, according to which labour on the same kind of work would be remunerated, is equal payment for equal quantity and quality of product or service, when the work is done in similar conditions. The ultra-humanitarian will object that it is unjust to expect the same quantity and quality from the less capable as from the capable ; and so it is. But it is necessary to spur all workers to do their best, or at least to keep up to the standard ; and this can only

be done in most cases by means of payment by results. The less capable ought to find the work they are really fitted for, in the interests of justice, economy and efficiency. It is generally easy to compare one person's work with another's in the case of manual labour, and to compare it with a standard, but by no means so easy in some kinds of clerical and administrative or co-ordinating work. In difficult cases comparison might perhaps be made by experienced inspectors, who would actually do such kinds of work sufficiently long to enable them to decide. A standard quantity and quality would have to be paid for as if done in a given time. If any worker were unable to make a satisfactory income, it would signify incapacity for his post, and he would have to turn to other work for which he was fitted. The standard at the beginning would have to be fixed at the recorded average, as otherwise consumers would suffer from the loss of efficiency. But as the standard would have to be fixed finally in all occupations in accordance with what the worker of ordinary parts could do in the normal working day without impairing his mental and physical well-being, in some occupations the standard might have to be lowered, and in others, if there had been deterioration, owing for instance to the ca'canny policy, it would have to be raised. Again, in some cases the rates of pay might have to be raised relatively. If it were ascertained that one kind of work was too cheap when compared with other kinds, that the workers had to expend greater energy or suffer more discomfort in a given time, the rate of pay for such work would be raised, or the working time would be reduced with proportionate increase of the rate of pay. Or the rate of pay might for one reason or another have to be reduced. This however belongs to the second division of the subject, namely, the determining of the relative rates of pay for different kinds of work.

In the second division of the inquiry we find on investigation that a common standard for measuring one kind of work with another is required to ensure equitable treatment of workers engaged in different kinds of work. "Human cost" seems at first glance to supply the want. But there are difficulties in the way of its calculation. Human cost includes the expenditure of human energy, the loss of time, the loss of health, and the deprivation of pleasure or the infliction of positive discomfort or pain. Time can be measured, but how can human energy, pleasure and pain? Equity would certainly be satisfied with equal pay for equal human cost.

But something more than mere words is wanted. We must know exactly how the standard can be applied.

It would be the height of folly even to think of attempting to solve problems that quite evidently can only be dealt with after long and careful investigation by a board composed for the most part of scientific men permanently engaged in the work. All we can try to do here is to indicate the nature and the difficulty of some of the problems. The comparison of one kind of work with another for the purpose of deciding the just relative remuneration, is perhaps the most difficult problem in economics. There are obviously many degrees of desirability or undesirability in the various kinds of work. Men with different natures, tastes, and sensibilities take extraordinarily different views of their relative attractiveness. Accordingly, not only the work but the worker must be considered. With our present knowledge we must assume the impossibility of ascertaining the idiosyncrasies of every worker and of making allowances for these in fixing the rate of his pay. An occupation congenial to one person may be distasteful and even injurious to another, and if the latter be engaged in it the human cost is of course greater. The most economical way of rectifying the injustice is not to give the latter compensation in the form of increase of the rate of pay, or reduction of hours, but to arrange for a change of occupation.

Free choice of profession or handicraft is therefore desirable and necessary. Young people have, however, little knowledge of the various trades and professions. Little opportunity of learning about them is afforded now, and although this could be remedied under Collectivism, it would be unwise, if justice and economic efficiency are to be ensured, to trust entirely to the individual to make a proper choice. Comparatively few, without advice, would choose the occupation for which they were physically, mentally, or temperamentally suitable. Even if kept long at their studies at the school or university before being set to work, or if set temporarily to simple work for a considerable time, few, without advice, would be in a much better position to make a decision. Even many who change their occupation in adult life find how mistaken they have been in making the change. There must be methods devised to ascertain what kind of work a person is fitted for, full consideration being given to his preference, even if not altogether well-founded. The Industrial Fatigue Research Board with great perspicacity emphasizes the necessity of what it calls Vocational Guidance. A limit must be set to

freedom of choice, as the applicant for admission into a craft or profession must be physically and mentally suitable. Moreover, the less trying crafts must be reserved for those unfitted for strenuous work. Many perhaps would try to avoid hard work, although they could do it well and without fatigue, and try to obtain easier posts, but it is a question whether any person should be allowed to do work that is obviously child's play to him. It would be ridiculous to use a dray horse in a costermonger's cart. But as free choice of occupation has been considered desirable, the dray horse may be used for donkey's work, if no donkeys are available. After all, the object of getting workers suitable for the work is as much to secure efficiency as to achieve equity.

While arrangements ought to be made to enable any one to change his occupation, it would not be quite fair if the guild or industry, which would provide free technical training for its workers, should bear the expense of training him, if he chose to make a change. However, it would probably be found that the proportion of such persons to the number employed would not be great and would be very nearly the same in all the guilds, or crafts. Perhaps it would be advisable to allow one or two changes to be free (with modification when the cost of the technical education was great), but after the limit was passed to charge the changeable person with the cost of his excess technical education. Fitness would, as we have said, have to be a condition of entering a craft or profession, and this would be tested in some suitable way. A deterrent to light-hearted, irresponsible change would be that the pay of a novice, owing to his necessarily inferior skill, would be considerably below the average.

It is doubtful whether the free movement of labour towards certain occupations and from others would indicate with exactitude where pay should be reduced and where raised, although it might give a rough indication, which would be useful in the earlier stages. It is practically impossible for that movement to have what is essential to its success, namely, the agents taking part in it possessed of exhaustive knowledge of the advantages and the disadvantages of occupations. Besides, choice of occupation is, in reality, very limited, and necessarily so. The tendency is for people to remain in the locality in which they were born and brought up, and have their relatives and friends, while the industries and crafts in many districts are limited. Choice then being limited, many, would be obliged to take up occupations distasteful to them

or for which they were not quite fit. It is therefore evidently necessary to have a thorough and scientific investigation into the effects of occupations on the body and the mind of the average person, with the view of introducing meliorative changes in working-hours, pay, safety, comfort, and general hygienic arrangements, in order to put all on a footing of equality. That must be the task of the remuneration board and it is no light one. Conditions dangerous to life, health, or comfort must as far as possible be removed in every occupation without consideration of expense. But when all is done, some occupations will still be dangerous, comparatively unhealthy, disagreeable, or strenuous. Compensation of some kind must be given to those engaged in such occupations.

Let us consider these four undesirable characteristics of certain occupations. Firstly, can adequate compensation ever be given for danger, whether in the mines, on the sea, on the railway, from machinery, from molten metals, from chemicals, or explosives? Even if compensation be given so that in case of death dependants would not suffer pecuniarily, and in the case of disablement the crippled worker would receive full pay while unfit for work, and in the case of partial disablement the difference between the shortage of earnings and the full pay usually earned, should there not be some compensation to persons merely for running the risk of accident and death? What compensation can be given for the anxiety or fear felt not so much perhaps by him who takes the risk as by his family? No doubt certain natures make light of danger, and others find ample compensation in the distinction acquired and merited through exposure to it. But if other compensation can be given, why take advantage of such natures and withhold it from them? Again, should not compensation be given to the disabled for the loss of the pleasures of the general active life?

Secondly, what compensation can be given to workers engaged in an occupation that in spite of all improvements is still comparatively unhealthy? Probably shorter hours, or periodical cessation from the work, with of course higher rate of pay for the time actually employed; or employment alternately in the comparatively unhealthy occupation and in a very healthy one. If such arrangements secured normal health, would they be satisfactory, and would no further compensation be required, unless when in exceptional cases the effects of the unhealthy work were perceptible? A difficulty would be how to know the extent of the necessary concessions.

Perhaps some of such occupations would be given up, and consumers would have to do without their products, or service in them might be made preliminary to entrance into very desirable occupations.

Thirdly, occupations involving strenuous work that induces excessive fatigue might be dealt with similarly. Here, however, possibly help may be derived from some instrument for measuring fatigue, such as Mosso's Ergograph. If the ergograph could record the average figures of fatigue for each occupation, with the personal factor eliminated (as it could be), the relative length of the working-day in each occupation could be estimated, and the remuneration for the working-day of various length in each occupation would be the same. This would materially lighten the labours of the remuneration board.

Fourthly, perhaps the ergograph could even measure the balance of attractiveness and repulsion felt by the average worker for his occupation. There are sometimes unavoidable accompaniments of work and of the environment in which it is done, that are agreeable to nobody, at least to no normal person. Without some such instrument the difficulties of determining equitable compensation would be very great. We are speaking of the irreducible minimum of discomforts and other drawbacks. All the drawbacks that it is possible to remove must be removed, and without regard to expense. In the present system organized for private profit, the expense of such improvements stands in the way of their realization, because it would affect the pockets of the capitalists. This would not be the case under Collectivism. After everything had been done, there would be much in many occupations that would be unpleasant to every normal person with unblunted sensibilities. Without some mechanical device like the ergograph, how could the unpleasantness be measured? Scientists must answer. It is a question for physiologists and psychologists. Both mind and body are concerned. But unpleasantness connected with work is no doubt a contributing factor of fatigue, and therefore the ergograph may register it.

An interesting description of that ingenious instrument, the ergograph, or register of work, as the name implies, invented by Professor Mosso of Turin, is given in his book entitled *Fatigue* (translated by Margaret Drummond, M.A., and W. B. Drummond, M.B.C.M., F.R.C.P.E. Swan Sonnenschein, 1904). Great possibilities, as I have already remarked,

seem to be promised by this instrument. It has apparently been used principally to measure mental fatigue. But Mosso says there is "only one kind of fatigue, namely nervous fatigue; this is the preponderating phenomenon, and muscular fatigue is also at bottom an exhaustion of the nervous system" (p. 24). Again, "it is then not only the will, but also the nerves and the muscles which are fatigued in consequence of intense brain work" (p. 273). Also, "cerebral fatigue diminishes the force of the muscles, and with the ergograph we measure this phenomenon with exactitude" (p. 280). We may therefore conclude that the ergograph might measure the fatigue induced in every kind of occupation in the normal working-day, and that from the figures obtained the relative human cost of the labour in all occupations could be calculated, disturbances due to peculiar temperaments or to the individual's troubles and pleasures, being eliminated by the tests being continued during a sufficiently long period and on a sufficiently large number of workers. Some of the results obtained by Professor Mosso are important and his conclusions interesting. He says: "the workman that persists in his task when he is already fatigued not only produces less effective work, but receives greater injury to his organism. The intervals of repose between one effort and another should be longer when one is tired, because one's energy is restored less rapidly, the excitability of nerve and muscle having been diminished by fatigue" (p. 157). "Dr. Maggiora, in a series of researches carried on in my laboratory, has shown that work done by a muscle already fatigued acts on that muscle in a more harmful manner than a heavier task performed under normal conditions" (p. 150). "Everyone who has made the ascent of a mountain is familiar with the fact that the last part of the climb, when the summit is almost attained, demands a much greater effort than that necessitated by greater difficulties when one is less fatigued. Our body is not constructed like a locomotive, which consumes the same quantity of carbon for every kilogrammetre of work" (p. 152). "A machine recognises no limit in its speed save the weakness of man in performing his part as assistant. Now the capacity for action of human energy is in inverse ratio to the time through which it acts. . . . The statistics of the numerous official Commissions of Inquiry which have appeared during the last forty years are from the scientific point of view inadequate to demonstrate the injurious effect on women and children. Fresh investigations are necessary, made by independent men,

by physiologists free from all preconceptions, whether political, humanitarian, or social. Other inquiries should be taken by medical men to discover the data, the measurements and equivalents which are wanted, and the subject should be studied with more attention to scientific scruples, with all the exactitude of a physiological research. Among the best investigations which have been published on the subject that of Fr. Erismann, Professor of Hygiene at Moscow, is deserving of special mention.—*Untersuchungen über die körperlicher Entwicklung der Fabriksarbeiter in Central-Russland; Einfluss der Beschäftigungsart. VII Internationaler Congress für Hygiene und Demographie zu Wien 1887. Ergänzungen zu den Heften ibis XXXIII, p. 118.* In this work are collected 100,000 observations on persons of both sexes between the ages of eight and eighty employed as factory workers. Professor Erismann examined the development of these 100,000 persons in stature, weight, thoracic circumference, and muscular force" (p. 172).

This gives an indication of the lines on which the remuneration board would have to go in order to equalize the conditions of labour, and it seems desirable that such a board should be established without delay and instructed to proceed with these investigations.

In assessing the relative remuneration for the different kinds of work, investigation must be directed into both the nature of the work itself, and the environment in which it is done. As regards the work itself there are, for instance, hard physical work, and light physical work; excessive or worrying brainwork, and easy or routine brainwork; monotonous work, and varied work; and so on. With regard to the environment there are, for instance, work with exposure to the elements, and work protected from them; work underground, and work above-ground; work at sea, and work on land; work in fiery sulphurous foundries, and work in comfortable offices; work in foul chemical works, and work in clean, airy warehouses. It is evident that these are difficult problems for the remuneration board to solve.

The attractions and drawbacks of each occupation will have to be assessed and balanced in some way, with the ordinary average person in view; but in the early stages, at all events, remuneration and conditions must, as we have seen, be determined largely by the ease or difficulty with which workers can be obtained for an occupation. Tastes, temperaments, and physical and mental characteristics tell,

and with free and intelligent action would equalize the human cost naturally. This could be done satisfactorily if all were equipped with sufficient knowledge and intelligence, but unfortunately they are not. Again, equity would not be attained by the exercise of choice by the worker unless the individual were acting as an entirely free agent ; it would be rendered impossible if corporate action were taken by craft unions. There would have to be absolute freedom for the individual. No coercion or pressure of any kind must be brought to bear on him. There would have to be absolutely free, independent, individual movement.

It would not be justifiable for the remuneration board to aim at equality of income in each of the various occupations. If a person desires to spend more of his time producing material wealth than the average worker, who perhaps prefers to take his pleasure or amusement in another form, why should he not be allowed to do so ? If he receives for his work the remuneration judged equitable, and if arrangements can be made for its being done in the public economic service, no reasonable objection can be taken to it. Inequality of income is only objectionable when any part of it is got by exploitation of labour. But if the working-day were fixed, how would it be possible to enable the individual worker to earn a larger income ? True, he might do work for others, artistic it might be, or it might be personal service, quite outside of all the public economic services, and after he had done his quantum in this service. But we have seen in the chapter on Unemployment that arrangements might perhaps be made to enable such people to increase their working-hours in these services beyond the normal ; and it would be desirable to have arrangements that would allow persons to work as long as they pleased in the public economic services.

Many excuses are given for inequality of remuneration in the present system that would be quite inadmissible under Collectivism. For instance, a favourite excuse is that there is inequality in the cost of technical education. It is argued that the expensively educated worker ought to receive back in high pay the capital spent on his education, together with the interest on it. There is good reason for this view when the worker or his parents bear the expense. But the cost of technical education is a charge which ought properly to be borne by the industry or service concerned. In fact, with all incomes on a footing of practical equality it would be impossible, in the case of many occupations, for parents to

meet the expense. The consumers, who require commodities or services for which expensively educated workers are necessary, ought to pay for their technical education, that is to say, the industry, or service, out of funds supplied by the consumers in prices, ought to do this. It is generally considered that the expense of technical education covers merely the cost of teaching. But it really covers much more than that. The student must be supported. He must spend much time on his studies at college and at home. This time ought to be paid for. The student requires at the very least bare maintenance during his period of study. The question is at what rate ought his time to be paid for. It could hardly be at a less rate than that paid to the not specially skilled worker who is able to earn a living by doing necessary work. On the other hand, although studying is not immediately productive work, it may be of a kind requiring much mental effort and strain. The human cost of the work varies, and therefore the pay for it would have to be decided by the remuneration board. Moreover the quality of the work would have to be taken into account in this as in the case of other kinds of work. This would be decided by the progress made by the pupil in his studies, other conditions being equal. The pupil would be expected to study at college and at home a certain number of hours per day or week, for which payment would be made at the minimum rate, and the rate might be increased in proportion to the proficiency shown. There would have to be sufficient safeguards against idling and ineffective study. In all crafts and professions requiring an expensive education the novice would have had to pass an entrance examination or test to prove his capacity. Certain kinds of work require continuous acquisition of knowledge, knowledge beyond that acquired by personal experience in daily work. The overtime required for such study must be ascertained, and paid for, just as the preliminary technical studies are paid for.

Another excuse for the high pay of, for instance, managers, heads of departments, and foremen, is that it is for the responsibility of their positions and also for their ability. Ability of course reduces the human cost, and therefore no increase of pay can be claimed on ethical grounds on that account. Ability enables the worker to do his work with greater ease than his fellow-workers. The cost to him is less, and therefore he does not require a higher pay. If he should be in a position that is so trying that even with his

greater ability he would suffer greater fatigue than the average person in another position, only then has he an ethical justification for higher pay. But usually the work is lighter and pleasanter. As for responsibility, a great deal of nonsense is talked about that. Any person who is worried with responsibility is of too nervous a temperament for his post. But few are like that. The captain of a 40,000 ton passenger steamer worries as little about responsibility as the master of a 400 ton coaster. In each case there is a definite organization for the working of the ship, and the master in superintending has probably an easier time than his subordinates." Certainly he is responsible or answerable to his employers for his stewardship, and risks losing his position. But so are his subordinates. The same thing may be said about posts of so-called responsibility from foremanships to managerships. The real meaning of the higher pay given now is that employers find it profitable to bind their higher officials to them and their interests, to wean them from any desire to transfer their services to rivals in business, and to prevent them from trying for the higher prizes open to those who aim at becoming capitalist employers themselves. In many cases, certainly, these officials have harder work than their subordinates, have acquired special knowledge, and cultivated special talents. For all the extra labour involved therein they are entitled to adequate remuneration, and what that ought to be for the higher officials under Collectivism would be a problem for the remuneration board. But it may be regarded as certain that great reductions will be made in the pay of those who are considered now to be "higher" officials. Only in proportion to the extra human cost of their work would their pay be increased over the average.

The business ability so much extolled by Sir Alfred Mond and his capitalist friends is not so much the ability required in organizing, in adapting means to ends, in introducing order and directing men, as that required in commercial bargaining and snatching business from rivals by fair means or foul. It is the ability of the "smart" business man required in a competitive system, not the ability of the patient, thinking, industrial organizer and technical worker required in a co-operative system. It is the former who gets the highest pay now, is admitted to partnership, and eventually amasses a fortune. Under Collectivism the latter will be more satisfied with pay and conditions than at present; the former will not be needed.

There is the question of encouraging useful invention and discovery. In strict justice the inventor of any labour-saving or quality-improving device is only entitled to payment for the time and money he has spent on the work, the effect of the work upon him (or the human cost) being also taken into account. But although few inventors receive payment in the present system on so generous a scale as that, the hope of getting much more may be a powerful motive in urging them forward. Therefore it may be found advisable to offer substantial rewards to inventors for useful inventions, and in the case of improvements in team or co-operative work, which would result in the work being done more expeditiously or more efficiently, those who introduced and helped to carry them out should reap the benefit for a substantial period by having increased pay.

Women's labour ought to be dealt with exactly as men's labour, by payment at the same rate and according to results, i.e., quality and quantity. The unsuitability of some, if not all women for certain kinds of work in no way differs from the similar unsuitability of some men. Men of inferior physique and women could not be expected to work as navvies or miners, but should have the first choice of work requiring comparatively little physical strength, for which they are otherwise fit. The principle, applying to both sexes, would be that all occupations would be prohibited to those unfit for them, and certain occupations should be reserved for those who were fit for these occupations only. Merely because certain work required greater physical strength or endurance, or greater mental capacity, the payment should not be greater, in so far as the strength or capacity is equal to the task.

In the case, too, of juveniles and the old, suitable work must be found for them, and again payment should be at the usual rate and according to results. With regard to juvenile labour, the important question arises as to the judiciousness of paying young people at the same rate as adults. They are not so paid now, and the employers absorb the profit, if any. But if they do necessary social work, which in their absence adults would have to do, it is difficult to see from the point of view of ethics why they should not receive the same pay. Until they have reached years of discretion, however, they could not in that case be allowed to spend all their earnings. Sufficient would have to be given them for maintenance and reasonable expenditure on the simpler pleasures of life, but

the balance would be retained and lodged in the Bank, and might be used to pay insurance premiums and taxes due later in life, subject to the right of the individual of good character, after reaching a really mature age, to withdraw the money. Or young people might have their deferred pay for the purchase of house and furniture when they marry. It does not seem difficult to devise satisfactory arrangements for preventing the improper expenditure of deferred pay.

In no other case would the system of deferred pay be in operation. Under Capitalism clerks and other administrative officials have to submit to this very unjust system. The justification generally given is that the clerk is simply being paid the market value of his labour which is supposed to increase as he gains knowledge and experience. The same, however, might be said of every kind of worker. Every kind of worker gains knowledge and experience in the course of his work in the same way, and yet the system of deferred pay is only applied to those mentioned. A clerk may at last through small increments over a long course of years, attain a comparatively large salary, but if account be taken of the short payments and of the loss of interest on them during the early period, it will be found that the average salary is a remarkably small one, and in many cases does not bear favourable comparison with an artisan's. Moreover, just at the period when his needs are greatest, when he has heavy expenditure for the maintenance of his children, his income is small. Not only so. Should he die at an early age his dependants do not receive his deferred pay. It is lost to them for ever, and owing to this pernicious system he has probably not been able to pay premiums for adequate insurance. Those who are fortunate to live long enough receive their due when there is no longer urgent need for it.

The form in which the payment of labour would be made will be discussed in the chapter on the Mechanism of Exchange. Suffice it to say here that the money of account would be based on "labour time." An hour's labour, or some such unit, would be the standard, but as there would be differences between the rates of pay of the different crafts and occupations the product of the labour of an hour in one might not be equal to that in another, and the exchange of one for the other would not be equitable. Therefore a standard hour must be fixed, which might be that of one or more crafts or occupations, and the hours of all the other crafts or occupations would be

altered by plus or minus quantities. Payment would be made in so many shillings or francs for the standard quantity and quality of the product required to be turned out in a certain time. Labour-time, in the ultimate analysis, would be the only constituent in the price of the finished product, so that price would equal the average labour-time expended on the product.

CHAPTER VII

THE MECHANISM OF EXCHANGE

PROFESSOR FRANCIS A. WALKER says in the preface to his book, *Money*, that the problems connected with Money and Exchange are "the deep, dark questions which constitute what Gen. Craufurd, in his *Reflections on the Circulating Medium*, calls 'the most intricate, abstruse, complex and subtle parts of political economy.' It is, indeed, as Prof. Price declares, 'a fatal theme.' 'I have found no branch of my subject,' wrote Sir James Steuart, 'so difficult to reduce to principles as the doctrine of money.' It is strange that an institution of man's devising should so baffle man's research, but it seems, as Prof. Jevons has remarked, that a kind of intellectual vertigo attacks all writers on this theme."

In fact, this is the Gordian knot of political economy, and there is only one way of dealing with it.

"Mechanism" is a misnomer when applied to our present commercial, trading, banking, and financial arrangements. Such "mechanism" is far from being, as it might and would be in a properly organized community, well-designed, effective and smoothly working, with its movements easily followed; it is a tangle that cannot be unravelled even by the most expert minds. For some generations political economists have been engaged in the work, and they are as far off as ever from the solution of the problems of the "dismal science" connected with money and exchange; trying to evolve order out of the chaotic welter of individual interests and actions is worse than trying to square the circle or to discover perpetual motion. Economists accordingly are far from being unanimous in their theories of value, credit, currency, and international trade; nor can they show how financial and commercial crises, bankruptcies, industrial depressions, unemployment, low wages, due so often to the present clumsy and ineffective "mechanism" of exchange, can be prevented in their individualist system. Practical men, too, bankers and financiers, those who have the handling and management of

the money and the credit of the world, are unable owing to the intricacies of the capitalist system to solve the problems involved, even had they the best intentions. The economic results of their blundering and muddling are too often appallingly disastrous.

The present system of banking, credit, and currency, with its constantly recurring financial crises, is economically vicious; and another must be substituted. We have to devise a simple mechanism, which will ensure the continuous and steady production, supply and delivery of all the commodities and services required by the community, with the least expenditure of labour, and which will also permit of the just and proper remuneration being paid to the producer, and the just and proper price charged to the consumer.

Ethics and the new economics call for a complete change in the mechanism of exchange and in currency, as in many other institutions of present economic life. There have been, and are, many reformers who find fault with the present monetary and credit system; and there are good reasons for their dissatisfaction with it. But, as they generally regard it as a necessary and abiding evil, their proposals extend merely to superficial reform, and do not interfere with its essential characteristics. Sooth to say, an individualist industrial and commercial system cannot but have an imperfect monetary and credit system indissolubly bound up with it. On the other hand, the construction of an ethical, and therefore collectivist, economic system renders necessary and possible a new standard of value, a new currency, a new mechanism of exchange. Fortunately, too, its monetary system and its mechanism of exchange are as simple and as nearly perfect as the most exacting currency and banking reformer could wish for. In political economy, as in mechanics, progress lies in the scrapping of the old, cumbrous, complicated, and wasteful machinery, and the installation of the new, simplified and economical.

Let us in the first place give some attention to the exposition and the criticism of the present system of exchange and currency by political economists who have made it the subject of their careful investigation, and who as upholders of the present system, are not biassed against it. The subject falls into two divisions, the one dealing with Money, and the other with Credit.

According to Jevons, the functions of Money are four, viz., as (1) a Medium of Exchange; as (2) a Common Measure of

Value ; as (3) a Standard of Value (or, as it is better put by Prof. Walker, a standard for deferred payments) ; and as (4) a Store of Value.

The qualities of the materials of money are, as Jevons says, seven : (1) Utility and Value ; (2) Portability ; (3) Indestructibility ; (4) Homogeneity ; (5) Divisibility ; (6) Stability of Value ; (7) Cognizability.

The precious metals, gold and silver, have usually been considered the most suitable materials for money. Nevertheless, there are serious objections to such use of the precious metals. Jevons, in his *Money and the Mechanism of Exchange*, says :—" At the outset it was observed that money, besides serving as a common denominator of value, and as a medium to facilitate exchange, was usually employed likewise as the standard of value " (i.e., Walker's standard for deferred payments) " in terms of which contracts extending over a long series of years are expressed. In letting land on long or perpetual leases, in lending money to governments, corporations, and railway companies, it is the general practice to make the interest and capital repayable in legal tender gold money. But there is abundant evidence to prove that the value of gold has undergone extensive changes. Between 1789 and 1809 it fell in the ratio of 100 to 54, or by 46 per cent., as I have shown in a paper on the Variation of Prices since 1782, read to the London Statistical Society in June, 1865. From 1809 to 1849 it rose again in the extraordinary ratio of 100 to 245, or by 145 per cent., rendering government annuities and all fixed payments, extending over the period, almost two and a half times as valuable as they were in 1809. Since 1849 the value of gold has again fallen to the extent of at least 20 per cent. ; and a careful study of the fluctuations of prices, as shown either in the Annual Reviews of Trade of the *Economist* newspaper, or in the paper referred to above, shows that fluctuations from of 10 to 25 per cent. occur in every credit cycle."

Jevons in that passage, and we need not look for later figures, impugns the suitability of gold as money in its third function, namely, as a standard for deferred payments, and for the lack of the sixth quality, stability of value. Similarly, Prof. F. A. Walker, in *Money*, p. 377, says :—" The object of a standard for deferred payment being to secure the payment, at the maturity of obligation, of substantially the same purchasing power that was in contemplation of the parties at the formation of the contract, it is conceivable that a paper

money might be so regulated as to preserve a more uniform value, from generation to generation, than the precious metals have maintained during any considerable period of the world's history. We have seen that that is the weak point of the precious metals in their use as money."

So seriously does Jevons regard this variability in value of the precious metals, which we may point out is injurious to the wage-earners as well as to the capitalist classes, that he is in favour of a "Multiple Legal Tender," which would be less liable to variation than the precious metals. He says:—

"We estimate the value of one hundred pounds by the quantities of corn, beef, potatoes, coal, timber, iron, tea, coffee, beer, and other principal commodities, which it will purchase from time to time. Might we not invent a legal tender note which should be convertible, not into any one single commodity, but into an aggregate of small quantities of various commodities, the quantity and quality of each being rigorously defined? Thus a hundred pound note would give the owner a right to demand one quarter of good wheat, one ton of ordinary merchant bar iron, one hundred pounds weight of middling cotton, twenty pounds of sugar, five pounds of tea, and other articles sufficient to make up the value. All these commodities will, of course, fluctuate in their relative values, but if the holder of the note loses upon some, he will in all probability gain upon others, so that on the average, his note will remain steady in purchasing power.

. . . In practice such a legal tender currency would obviously be most inconvenient, since no one would wish to have a miscellaneous assortment of goods forced into his possession. . . . The scheme would, therefore, resolve itself practically into that which has been long since brought forward under the title of the Tabular Standard of Value."

Jevons gives high praise to the "Table of Reference" proposed by Joseph Lowe in 1822, and to a very similar scheme independently proposed eleven years later by G. Poulett Scrope, as the result of his inquiry into the nature of a just standard of value; and he says:—"Such schemes for a tabular or average standard of value appear to be perfectly sound and highly valuable in a theoretical point of view, and the practical difficulties are not of a serious character. To carry Lowe's and Scrope's plans into effect, a permanent Government commission would have to be created, and endowed with a kind of judicial power. The officers of the department would collect the current prices of commodities

in all the principal markets of the kingdom, and, by a well-defined system of calculations, would compute from these data the average variations in the purchasing power of gold. The decisions of this commission would be published monthly, and payments would be adjusted in accordance with them. Thus, suppose that a debt of one hundred pounds was incurred upon the 1st of July, 1875, and was to be paid back on 1st July, 1878; if the commission had decided in June, 1878, that the value of gold had fallen in the ratio of 106 to 100 in the intervening years, then the creditor would claim an increase of 6 per cent. on the nominal amount of the debt."

Jevons says:—"The difficulties in the way of such a scheme are not considerable. . . . The only real difficulty which I foresee, is that of deciding upon the proper method of deducing the average. According to the method which I should advocate, a considerable number of commodities, say, 100, should be chosen with special regard to the independence of their fluctuations one from another, and then the *geometrical average* of the ratios in which their gold prices have changed would be calculated logarithmically. . . . The space at my disposal will not allow me to describe adequately the advantages which would arise from the establishment of a national tabular standard of value. Such a standard would add a wholly new degree of stability to social relations, securing the fixed incomes of individuals and public institutions from the depreciation which they have often suffered. Speculation, too, based upon the frequent oscillations of prices, which takes place in the present state of commerce, would be to a certain extent discouraged. The calculations of merchants would be less frequently frustrated by causes beyond their control, and many bankruptcies would be prevented. Periodical collapses of credit would no doubt recur from time to time, but the intensity of the crises would be mitigated, because as prices fell the liabilities of debtors would decrease approximately in the same ratio."

How this Tabular Standard of Value with its complications—the like of which would be received with professorial guffaws, if proposed by collectivists to meet any difficulty in their schemes—can be applied to adjust wages is not shown. However, the proposal is of no importance, as there will be practically no deferred payments required under Collectivism, and in any case no fluctuations of prices due to an unstable medium of exchange. Any fluctuations in the return to man's labour will result from natural causes, and not at all from

money or the system of exchange. The clumsy monetary reform just described has been given in such detail merely to show some of the evil effects of the present currency, and the efforts to reform it, all of which have come to nought. What is wanted is not reform but an entirely new currency and system of exchange.

It is admitted then that, though the precious metals possess a superiority over other kinds of commodities in the sixth quality of money, "Stability of Value," they fall far short of such stability as is requisite. There is another disqualification of the precious metals for use as money, and that is their enormous expense. We shall later suggest a substitute which would be free from all these defects, and which would satisfy all the requirements demanded by economists. With it there would be no need to trouble about such complications as "the five distinct modes in which a government may deal with metallic money," viz., (1) Currency by weight; (2) Unrestricted Currency by tale; (3) The single legal tender system; (4) The multiple legal tender system; (5) The composite legal tender system. And there would be no battle of the standards.

We may now pass on to the consideration of the other division of this question, viz., Credit, with which is bound up paper money, or the replacement of standard money by representative money and other banking arrangements or devices for avoiding the use of metallic money. As it is possible to suggest a system under Collectivism which would obviate the need of troubling with Jevon's *fourteen* methods of regulating a paper currency, it is not necessary to do more than mention them, and so expose the complexity of currency methods and reform under Capitalism. They are:—(1) The Simple Deposit Method; (2) The Partial Deposit Method; (3) The Minimum Reserve Method; (4) The Proportional Reserve Method; (5) The Maximum Issue Method; (6) The Elastic Limit Method; (7) The Documentary Reserve Method; (8) The Real Property Reserve Method; (9) The Foreign Exchanges Method; (10) The Free Issue Method; (11) The Gold Par Method; (12) The Revenue Payments Method; (13) The Deferred Convertibility Method; and (14) The Paper Money Method. These may be relegated in the future to a Museum of the Curiosities of Capitalism, along with the Tabular Standard of Value.

The need for a change in the fundamentals of our present economic system is apparent when we consider the criticism

of capitalistic credit and banking arrangements, that is made by experts, who even in their moments of greatest aberration, if they are ever so afflicted, never doubt that the capitalist system will always abide with us. H. D. Macleod in his *Theory and Practice of Banking*, p. 212, says. "Credit, in fact, is to Money what steam is to water ; and like that power, while its use within proper limits is one of the most beneficial inventions ever devised by the ingenuity of man, its misuse by unskilful hands leads to the most fearful calamities. Credit, like steam, has its limits, and we have now to investigate the proper limits of Credit, and the various methods by which it may be extinguished. Because by its very name and its very nature, it is always created with the express intention either of being, or of being capable of being, extinguished. It is *Unextinguished Credit* which produces these terrible monetary cataclysms which scatter ruin and misery among nations. It is by the excessive creation of Credit that overproduction is brought about, which causes these terrible catastrophes called Commercial Crises ; and the inability of Credit shops to extinguish the Credit they have created—commonly called the failure of Banks—is the cause of the most terrible social calamities of modern times." Again :—" False theories of Credit, and the abuse of Credit, have produced monetary cataclysms, which have shaken nations to their foundations, and whose direful effects have only been equalled by those of the volcano and the earthquake. It is, therefore, of the deepest national importance to investigate and establish the true theory of the subject." This is a crushing indictment of the mechanism of exchange with which Capitalism saddles mankind.

Macleod very clearly demonstrates the truth that *the primary use of a currency is to measure and record debts, and to facilitate their transfer from one person to another*. It is desirable to quote his own words. He says (note this well) :—" *Currency and Transferable Debt are convertible terms.* . . . It is quite possible to have a currency, even though its most useful and general form, Money, had never been thought of. . . . If the way of conducting commerce by means of money had never been invented, a grocer and a wine merchant might trade with each other. If they agreed that a bottle of wine and a pound of tea should be considered as equivalents, the grocer might want so many bottles of wine ; and if the wine merchant did not want so many pounds of tea, he might let the grocer have the wine on giving his promise, or pledge,

to pay the tea, when demanded. And this promise, or pledge, might pass through a hundred hands before the owner of it demanded the tea. It would perform exactly the same function as money in circulating goods. . . . So during the late civil war in America gold and silver money disappeared from circulation, and private tickets of all sorts took its place. Instead of money, people had their pockets filled with bread tickets, milk tickets, and railroad tickets. If a man went to have his hair cut, and tendered a dollar, he could not get change, but he received so many tickets promising to cut his hair so many times."

Bank notes, cheques, bills of exchange, are all parts of the machinery of Credit. They are all promises to pay, all transferable debt, all currency, and are all useful, indeed, essential in the present economic system; but owing to the abuse of Credit inseparable from an individualist system, they are convenient to use in speculation of the worst kind, which leads to the disasters deplored by Macleod.

But under Collectivism the mechanism of exchange would be simple, thoroughly under control, and entirely free from the injurious character of that necessarily in operation in the present commercial system. Credit to private traders granted by banks, so often injudiciously and with such serious results, would disappear along with private enterprise. In the collectivist form of society, with industrial production and the exchange of commodities socially organized, a State Bank (which would naturally have the monopoly of banking) would be instituted, along with a currency that would serve the purposes of exchange, efficiently, inexpensively, and with effects entirely beneficial.

With industry carried on under State ownership and control of capital, and managed by State departments or guilds upon carefully considered and accepted principles, such as already outlined, we have to consider what form the money required to circulate commodities would take, and how, and by whom it would be issued. It must be kept in mind that money is essentially "promises to pay." This means under Collectivism that the State promises to pay its workers for services and for the making of goods, many of which may be in the early stages of manufacture, by supplying to them on demand an equal value of services or finished goods. The various industries, being all State departments, might issue their money or promissory notes themselves, but there are many reasons for having a national currency. It is necessary to

have a system of checking and counter-checking, and a focussing of statistical information, which would only be possible by having a State clearing-house or bank. There is, of course, no reason why the issue of promissory notes by individuals should be forbidden, but the acceptance of these would be at the risk of the acceptors, and they would never form part of the currency as legal tender. The point is that national currency—legal tender—would only be issued by the Bank after it had ascertained through the authorized accountants that the various State industries were entitled to the amounts, and to these industries only, and of course to depositors who left their deposits on the condition that they would be paid on demand or at a date agreed upon. The issue of notes or coin of national currency is the issue of “promises to pay” guaranteed by the State, is, in other words, the acknowledgment of a Debt by the State, and signifies that work has been done of the value these represent; for it must be placed beyond doubt that that work has been done, and that goods and services to that value are to be had on demand. *In the Capitalist system the principal evil of its credit system is that its money does not convey any such guarantee.* Such a currency as here proposed may at first glance seem to rest on the fallacy of John Law, exposed by Macleod (ch. XII, §16) that “money represents commodities, and that paper currency may be based on commodities”; but the proposed Collectivist currency really does not rest on it, in Law’s meaning of the term. Macleod says:—“Money does not represent commodities at all, but only Debt, or services due, which have not yet received their equivalent in commodities.” He is not quite accurate in the wording of his definition, because it is evident from the context that he means that money does not represent *all* commodities, but only such commodities as have not been received in payment of the debt due for production, in other words, the finished and unfinished commodities not yet purchased by the consumers. He says:—“Take the case of a private individual—is there any necessary relation between the quantity of money he retains and the quantity of commodities he purchases? (More properly, “has purchased”; that is, between the quantity of money he possesses unspent, representing the debt due to him by the community, and the quantity of his other material wealth.) “The quantity of money he has is just the quantity of debt—of services due to him—which he has *not yet* parted with for something else. It is the quantity of power of purchasing

commodities he has over and above what he has already expended . . . whatever a man earns is the fruit of his industry, money included, and none of these separate items *represents* anything else, though it may be exchanged for other things." Law's fallacy—a fallacy still cherished in some quarters—consisted in basing a paper currency on land and fixed capital, which Macleod loosely includes in the term "commodities," and he rightly pours ridicule on the proposal. That must be kept in mind, when we read these entirely justified remarks of his:—"In fact, a moment's consideration will shew that the theory of basing a paper currency on commodities, involves this palpable contradiction in terms, *that one can buy commodities and also have the money as well.* . . . When a man buys commodities with money, he gives either a portion of his own industry represented by that money, to a portion of some one else's industry who gave him the money. But it is quite clear that he cannot buy the commodities and keep his money as well." (§ 17).

Under Collectivism the workers in each industry would have to be paid for their work periodically, as at present. They would have to receive either coined or paper "promises to pay." They have done a certain quantity of socially useful work, which may or may not take its final, finished form for some time, but for which the workers must have payment at once, if they wish, in finished commodities or in services. This unfinished work, for which they are to get immediate payment, is not for them personally, but for the community, and if credit, in the sense of a loan or advance, enters into this transaction, it is not more in favour of these workers than in favour of society. They are no more indebted to society than society is to them. The two parties are quits. The workers have given their work to society, and it is of social value, although unfinished perhaps; while for it they receive "promises to pay" from society, which they may expend on finished commodities or on services, or which they may deposit in the Bank, or keep in their pockets for immediate or future use. They should not be required, and could not afford, to wait until the goods which they are employed in making are finished and sold, before they receive payment for their labour, or to get "credit" until then; besides, society is a going concern, and finished goods pass into the market in steady flow, and are available to meet the wants of the workers in proportion to the work they have done in any given time.

If credit enters into this, it is equal for everyone. In fact, credit is thus nationalized.

As a concrete case let us take the position of workers employed in a cloth mill. In order to pay their wages the cashier of the mill would have to be provided with legal tender—with these “promises to pay.” Notes would be used for the larger denominations, and metallic tokens for the smaller. The mill would have to be provided by the Bank with a certain amount of what is now called circulating capital. How much ought that amount to be? It would not exceed the “wages.” Notes or coins would have to be paid out to the workers, who could, if they pleased, pay them into their bank account, and draw upon it by cheque; or the cashier might pay by cheque, and in that case the Bank must be prepared to issue, as required, notes equal to these cheques; and these unspent notes, whether in possession of the Bank or of the workers, and no other bank notes, must be regarded as money and as in circulation. A certain time would elapse before the cloth was finished and put on the market, and during all that time, that is, until the factory received the price of its goods, its workers would have to receive their wages in money advanced by the Bank—the cost to the factory would be a trifle, merely the cost of paper and printing and its share of the Bank’s expenses.

But there are other charges to meet besides the payment of wages to the workers actually employed in the mill. Currency of some kind would be required for other purposes. It would be necessary to pay for the yarn, coal, oil and all the stores and materials required in the factory. The cost of all these would be included in the price of the cloth, but money, i.e., notes or coin, would not be advanced by the Bank to pay for them. A cheque would be passed by the mill in payment. The Bank advances nothing of intrinsic value, a commodity not being, as at present, used as the medium of exchange. It is merely a bookkeeping or accountancy department instituted to act as a clearinghouse, whereby the accounts of the various industries may be settled with each other. The so-called “advance” for wages is simply squared by a cheque, which the mill will receive from the guild that buys the cloth. It may be laid down as a general principle that all transactions between different industries or guilds would be cleared by means of cheques. But all wages (of course, all prices of raw materials, partly manufactured goods, and finished commodities are resolvable in the ultimate analysis

into wages), i.e., all the pay of the workers will be paid in cash, money, notes, currency, call it what you will, which will return to the Bank through the retailers' guild on the purchase of the completed goods. When the finished cloth passed into the possession of, say, the tailors' guild, a cheque on the Bank for the full value would be handed to the mill immediately after delivery. The amount of the notes required from the Bank, therefore, for the purpose of paying the workers' wages would be covered by the said cheque, which would be paid into the Bank to the credit of the mill; this cheque would also include the other costs of production, which the mill would pay by cheque. The debit for the advance of notes for the wages would thus be passed on to the tailors' guild in the books of the Bank, then in like manner to the retailers' guild, which would in its turn clear it by paying into the Bank the notes received in payment for the goods.

Would there be any risk of fraudulent dealings with this currency? Could the mill's cashier draw more notes from the Bank than were required for wages, and make use of them himself? There would be no greater danger of fraud than under the capitalist system. A discrepancy in his books could be seen at a glance. Similarly, any collusion between him and other officials would be as easily detected as under the present system.

The cost of repairs to machinery and buildings, and a charge for the replacement of machinery, etc., in short, every charge usually included in the term "depreciation," must be collected in the price. If a five per cent. depreciation be required, it would be collected on the presumption that during twenty years the sum accumulated would be laid out in the installation of new machinery or parts, but every year the twentieth part of this sum would be collected in due proportion in the price of the goods, and deposited in the Bank for use when required. How would this sum be used? It would be retained by the Bank as a deposit repayable at an agreed-upon date. Meanwhile it would be used in maintaining other national capital requiring immediate attention. There would be certain workers in the community engaged on such renewals, and these must be kept at work. It would be desirable to arrange for these renewals in the various factories or other industrial units to be done at such times as would ensure full and constant employment to those workers. All the industrial fixed capital in the country would require to be maintained in this way, all industries accumulating, like

the cloth mills, a fund for this purpose. It seems necessary then that the Bank should treat these sums as a distinctly separate fund, to be used for the maintenance of the national capital. This fund might be placed to the credit of the special State department, which would have the co-ordinating control of the maintenance and renewal of national industrial capital. The various guilds would deposit the money to be thus used, and would intimate to the Bank and to this State department the dates approximately when it would be required and the amount required. The department would then have the data necessary for arranging for timely liquidation. Thus the whole might be pooled in one fund, and each industry would be enabled to draw sufficient for its needs when required. In order to keep the community supplied with steady work, it would be found necessary to prevent any of this sum from lying dormant, for it would represent goods actually produced, which could not be sold unless the money, which represented goods actually produced, and which had been collected from consumers in the prices of goods, passed as wages into the hands of the producers of the fixed capital for the maintenance of which it had been collected from the consumers, who thus had to pass on to others their right to purchase goods actually produced and represented by the money. Nearly all goods are perishable and can only retain their value for a limited period. Steps would have to be taken for the same reason to prevent the secret hoarding of money. As it would necessarily be notes that would be hoarded, the year of issue might be prominently printed on them, and after a certain lapse of time a note would become valueless, or would suffer a considerable diminution of value. Proposals of this kind are not new. Even deposits in the Bank might, if necessary, have their maximum limit reduced, for, as we have shown in another chapter, a limit must be put to individual saving.

Let us now consider this whole matter from another point of view. Let us place all industries in four great categories, and without indulging in any exactitude of facts or figures, but merely for the purpose of picturing the mechanism of exchange, consider how their financial transactions would be shown in their books and in the books of the Bank.

We have here four categories, which, for the sake of demonstration, are considered to include all industries. Each of these receives sufficient in bank notes to pay wages. The first three get payment for their goods by cheque, as they are

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GUILDS' ACCOUNTS.

(A) PRODUCERS OF RAW MATERIALS.		(B) MANUFACTURERS OF MATERIALS TO BE USED IN FURTHER PRODUCTION	
<i>Per Week.</i>	£	<i>Per Week</i>	£
Wages, paid in Notes	5,000,000	Wages, Paid in Notes	10,000,000
Materials, paid by		Materials, paid by	
Cheques to D ..	100,000	cheques to A ..	5,110,000
Depreciation, etc., to		by cheques to D ..	200,000
special account in		Depreciation, etc., to	
Bank	10,000	special account in	
		Bank	100,000
Cheques from B ..	<u>£5,110,000</u>	Cheques from C ..	<u>£15,410,000</u>
(C) MANUFACTURERS OF FINISHED GOODS		(D) RETAILERS.	
<i>Per Week.</i>	£	<i>Per Week</i>	£
Wages, paid in Notes	20,000,000	Wages, paid in Notes	1,000,000
Materials, paid		Materials, paid by	
by cheques to B ..	15,410,000	cheques to C ..	36,310,000
by cheques to D ..	400,000	Depreciation, to special	
Depreciation, etc., to		account in Bank ..	10,000
special account in			<u>£37,320,000</u>
Bank	500,000	Notes from consumers	36,620,000
Cheques from D ..	<u>£36,310,000</u>	Cheques from A, B,	
		and C	700,000
			<u>£37,320,000</u>

BANK'S ACCOUNTS.

(A) Dr.		(B) Dr.	
Notes for Wages ..	5,000,000	Notes for Wages ..	10,000,000
Cheques to D	100,000	Cheques to A	5,110,000
Depreciation to special		Cheques to D	200,000
account	10,000	Depreciation to special	
Cr. Cheque from B ..	<u>£5,110,000</u>	account	100,000
		Cr. Cheque from C ..	<u>£15,410,000</u>
(C) Dr.		(D) Dr.	
Notes for Wages ..	20,000,000	Notes for Wages ..	1,000,000
Cheques to B	15,410,000	Cheques to C	36,310,000
Cheques to D	400,000	Depreciation to special	
Depreciation to special		account	10,000
account	500,000		<u>£37,320,000</u>
Cr. Cheque from D ..	<u>£36,310,000</u>	Cr. Notes from Con-	
		sumers	36,000,000
		Cheques from A, B,	
		and C	700,000
		Notes from purchasers	
		employed by Depre-	
		ciation Fund	620,000
			<u>£37,320,000</u>

established State concerns, and deal only with other State establishments—all recognized by the Bank, which simply acts as an intermediary or clearing house for the purpose of accountancy, and as the principal part of the mechanism of exchange or circulation of goods. The producers of raw materials pass on their goods to the manufacturers, who work up these raw materials into products which require further manufacture, and then pass them on to the manufacturers who finish them. Finally, the finished goods are passed to the retailers, who dispose of them to the consumers, who pay for them with notes, or, if they have a Bank account, by cheques representing notes. The notes are paid into the Bank, and clear the debit balance against the retailers' guild. In these four accounts A, B, C, and D, we find £36,700,000 paid in notes for labour and cheques for materials, while £37,320,000 is the value of the goods produced, which leaves a balance of £620,000 worth of goods, which there appears to be no notes to buy. But this is the amount of the depreciation, which has been collected from consumers in the price of the goods, and this sum will be used to renew capital continuously and contemporaneously, and notes to that amount will therefore be issued to the workers so engaged, who will buy the remaining goods of that value.

It is clear that the Bank would exist only to facilitate exchange, and that the amount of money issued would be exactly sufficient for the purpose, increasing and diminishing with the work done and the goods produced. Credit, as it is understood under the commercial system, would not exist owing to the substitution of public for private enterprise. There would be no buying and selling of debts in the shape of bills of exchange, nor any advances to private persons or corporate bodies on personal or property guarantees, and therefore no speculation. The Bank would make no profit. There would be, however, some expenses in connection with banking. There would be the cost and maintenance of buildings and furniture, the pay of the personnel, and the cost of the money—notes or coin. How is this to be collected, and from whom? Each industry should be charged with its share of the expense in proportion to the business done, so that the cost would finally be included in the price of the goods. In this way consumers would pay their share in proportion to their consumption, which would be entirely just.

The bank notes would be simply certificates of work done, and promises to pay the equivalent in goods or services.

What would be the Standard or Measure of Value? In Great Britain and in many other countries at present it is gold. Under Collectivism gold would not likely be used as currency at all, and certainly not as the standard or measure of value, for which it has been shown to be unsuitable. The only metallic money would be token money, as silver and copper now are in Britain. What then would be the standard, or measure, or common denominator of value, that would be expressed on the notes or the coinage? It would be no precious metal or any other commodity. And yet whatever is used must express all values, and measure them, while maintaining its stability. It would not do to pay a bricklayer with a note stating that he had laid so many bricks, and promising to sell to him or to the bearer any kinds of goods of equivalent value. The note must express in a definite money of account the value he has produced for social use, and commodities must have their value expressed in the same way, so that notes and all kinds of commodities would be exchangeable without any trouble. Whatever the denominator of value might be, it would have to be based on terms of time. There would be different rates paid in different crafts, that is to say, the miner might be paid at double the rate at which the farm labourer would be paid. A unit of time, such as one hour, would be taken, and all pay and prices would be based on that, and necessarily expressed in terms of time. The farm labourer would then receive a note for one hour's labour, when he did the normal or standard amount of work required from farm labourers in the given time, and the miner would receive a note for two hours, when he did the normal standard amount of work expected of miners in one hour. Similarly, other workers would receive remuneration in accordance with the relative rates for their work. The products of their labour would be similarly measured and priced, and their values in exchange would thus be fixed. Average effective social labour would be the standard. But it may be asked what is effective social labour? It is work embodied in commodities of standard excellence, produced in such quantity as is considered reasonable in a given time. There must be a standard of quality and quantity produced in a given time, and it must be that of the average worker. The standard or measure of value then would have to be a unit of time, but it might be translated into familiar terms of currency. One shilling or five shillings, one franc or five francs might be the conventional currency expression or

common denominator for one hour's labour, and this would be the price given for one hour's labour, or for the commodity produced by that amount of labour. It matters not whether the bricklayer's hour or day, or the baker's, or the weaver's, or the farmer's, be taken as the unit, or whether a conventional unit be fixed, which may or may not coincide with any of these, so long as wages are paid in proper relation to it, those at a higher rate being paid at the rate of the unit increased by a plus quantity, those lower at the unit reduced by a minus quantity.

As Prof. Walker in *Money*, p. 9, says:—the advocates of Ideal Money “admit all that is claimed for the importance of having a common denominator through which to register the relative values of the 100 commodities, for instance, of which Prof. Jevons makes account, and thus save the necessity of 4,950 quotations in the price-current; but for this, they say, and they say justly, *no distinct article, as a measure of value, is necessary*. The articles are measured against each other, in respect of their several values, and it is only necessary that there should be *some common denominator* in which the values, thus determined, be expressed. If, for example, it takes five times as much labour to produce a wheelbarrow as to produce a bushel of wheat, the value of the wheelbarrow will be to that of the wheat as five to one. And if a cart costs five times as much labour as a wheelbarrow, the respective values of the three commodities may be expressed as 25 : 5 : 1. To measure values we must, of course, use values; but in the instances given, we have the amounts of labour embodied, so to speak, in the several articles, compared directly with each other, and the resulting ratios, expressed in pure numbers, are quite sufficient for a basis of exchange. It is not necessary to the comparison that there should be an article distinct from the wheelbarrow, the cart, and the bushel of wheat, itself costing one day's labour against which each of these three articles might by turns be measured, in order that ‘exchanging proportions’ should be established between them.”

Therefore it matters not whether the conventional unit or common denominator be a term of time or a term of some familiar currency, so long as all pay and all prices are expressed by it. The wealth produced would have its exchange value or price expressed by the standard or measure of value, social labour time. Goods might have their value stated in hours or days, or weeks, just as at present they have their value expressed in pounds sterling, in multiples or submultiples.

But there is of course no reason why instead of the time term, the old money term, pounds, dollars, or francs, should not be used. A conventional unit, as John Stuart Mill says (*Political Economy*, Book III, chap VII, §1), for the convenient comparison of things with one another, a sort of money of account, some mode of expressing and computing values, would probably be used even if a pound or a shilling did not express any real thing, but a mere unit of calculation.

To form a standard or measure of value it is not necessary or desirable to select one commodity, like gold, or 100 commodities, as in Jevons's proposal for a tabular standard of value. In an unsettled state of society it has always been considered desirable to have a commodity, something with intrinsic value, as money; but in modern civilized states, even in time of war, there is no need for it; indeed, the precious metals form a minute part of the total wealth of a community, and even represent a very small portion of the commodities in process of manufacture, and manufactured but not purchased. Notes issued by the State Bank, the only issue of money that would be allowed, for work actually done, and therefore representing all the commodities in the market of all sorts required by society, no more and no less, would be superior to any single commodity, not in themselves, but by reason of their command over commodities, the essentials of life. They would possess all the conventional qualities of money, some of them really only required in unsettled communities, viz., (1) Utility and Value—not intrinsically, which is unnecessary, but representatively; (2) Portability; (3) Indestructibility, for although paper is easily destroyed, it can be registered in the Bank and can be secured to the depositors; most of the money in use now is paper, and is liable to be destroyed; but then, as now, any one could have a bank account, and carry only the small quantity required for immediate needs; and metallic token money need not be excluded; (4) Homogeneity; (5) Divisibility; (6) Stability of Value in the highest degree; but a standard of value, or standard for deferred payments, would seldom be required owing to the absence of all necessity for deferred payments, such as those in connection now with endowments and similar financial arrangements, rent, interest, and profit having been abolished; repayment of Bank deposits would be the exception that would call for such a standard; the depositor would get returned the labour-time value which he had deposited, but this would not cost the Bank or its borrowers any more than

they had received, although it might give the depositor a greater value in services or goods, for any variation would be due to a change in the general productivity of labour, and this in the modern progressive community tends to increase, thus giving the creditor an increased value on repayment without costing the debtor more than he had received : (7) Cognizability.

Entirely satisfactory as regards the qualities required of money, these notes and token coins would perform perfectly the four functions of money. As (1) a standard of-value, or standard for deferred payments, the money of Collectivism could not be excelled. But, as we have seen, there would be no need for deferred payments except for the repayment of bank deposits, and unless the general productivity of labour changed, the value would not change. There would certainly be no fluctuation of value due to changes in the cost of production of the medium itself, as there is in the case of the precious metals.

As (2) a common measure of value, the conventional unit of average effective social labour time, as expressed in these notes, would serve excellently as money of account. By the proper organization of industry the true value of labour would be expressed and paid for by these notes, and, likewise, the value or price of all commodities would be calculated and fixed by the proper authorities according to accepted principles and would receive its expression in this money of account. There would be none of the fluctuation, the instability of wages and prices, found in the present system.

As (3) a Medium of Exchange, it would facilitate in the highest degree the exchange of commodities and services, as there would always be a sufficiency of the notes, no more and no less, paid out to the producers (pensioners and certain State employees would receive notes taken by taxation from the productive workers) to buy back the commodities produced. There would consequently be no increase of prices, as frequently happens under Capitalism through the depreciation of the currency, i.e., through an over-issue of money, creating a greater demand than the supply can meet. Prof. Walker in *Money*, p. 73, says :—" In respect to no community can we say, in advance, what amount of money it should possess in order satisfactorily to perform its exchanges, at prices corresponding to those which rule in the communities with which it has commercial relations. Nor is it necessary that it should be known. . . . If no interference with the

natural distribution of the precious metals is allowed, each country, each county, and each town, throughout the trading world, will receive its due distributive share; that amount which could not be exceeded without raising prices unduly and disturbing the relations of trade." But elsewhere (p. 99) he says, perhaps not inconsistently, for in the foregoing he is evidently speaking of "the due distributive share":—"The monetary questions which now agitate many of the nations of the world, not sparing America, Asia, or Australia, convulsing some with the severest throes of felt or apprehended financial distress, have reference primarily to the facts, the startling facts, of the present yield of the precious metals. . . . When we consider the effects upon local prices, extending often to serious disturbances of international commerce, which attend the rapid increase of the money of the world, the wide geographical distribution of the precious metals becomes a fact, not alone of curious interest, but of positive economical importance." Surely this is not only an indictment of the use of the precious metals as money, but shows how necessary it is to have in circulation the exact quantity of money required, and therefore to know what it ought to be. This is possible only under Collectivism.

As (4) a Store of Value, the money, not being a commodity itself, having no intrinsic value, could not in the ordinary sense of the words be so termed; but as representing its full value in any of the commodities produced, which could be purchased at any time, it would, whenever required, unlock the door to all the varied wealth in the community's stores.

The value of money in circulation, whether in private pockets, or deposited in the Bank, would be strictly equal to the value of the goods produced for purchase and unsold. As Wilson in his *Capital, Currency, and Banking* (p. 17) says: "Only that portion of coin, or money, which is at any time in the hands of the public employed in performing the exchange of commodities, is entitled to be deemed in circulation." The purchase, not of the commodities newly produced, but of property already in use, say, houses, furniture, etc., or the payment of the salaries of clergymen, domestic servants or other persons not engaged in the public productive services, could only be effected by the transfer through this money of the power to purchase the newly produced goods, the actual producers thus parting with their right to use such portion of goods in return for spiritual or domestic comfort, or for second-hand articles. One of the greatest problems of currency,

namely, the equivalence of money, or promises to pay, in circulation with the value of the commodities unsold in the producers' hands, would be simply solved by the system of banking and currency advocated here, natural and inevitable under Collectivism.

Despite endless discussion, theorizing political economists and practical bankers are unable to tell under Capitalism how much money ought to be in circulation at any given time, although they consider it most important to know, so that there may be neither over-issue nor under-issue. Jevons says it is desirable to know, but impossible to tell; as the problem involves many unknown quantities, a sure solution can never be obtained. How helpless our financial experts are in dealing with currency and exchange problems is shown by what Sir John O. Miller, K.C.S.I., writes in the *Fortnightly Review* of May, 1921:—"In December, 1919, the Committee on Indian Exchanges and Currency recommended that stability should be restored to the rupee by the fixation of its value in terms of gold, the rupee for the future to be equivalent to one-tenth of a gold sovereign. Their view was accepted, but the rupee refused to conform to it, and a year later its value was less than one-thirteenth of a paper pound. Not only was there no stability of value, but the proposals of the Committee, backed up by the active interference of the Secretary of State, failed to secure even steadiness of exchange, which was what the Committee really meant by stability. The value of the rupee fell from 2s. 3d. in May, to 1s. 9d. in July, rose to 1s. 11d. in August, and was below 1s. 6d. in December. . . . Yet this Committee, whose forecast was so singularly falsified, was a particularly strong one. It contained Treasury as well as India Office and Indian experience; it included representatives of banking and mercantile interests; it took evidence or considered the reports of high financial authorities, of Chambers of Commerce, or representatives of commercial and banking interests in the East; it obtained the best expert advice on the prospects of the silver market, and the circumstances affecting prices and economic conditions in India. No Committee could have examined the subject in all its aspects more thoroughly, or brought more ability and authority to bear in the decision. If acts have played havoc with its conclusions, the inference is not that any other body could have foreseen the future more sagaciously, but that there is *some fundamental omission or error in the general outlook on currency questions*, some defect in the equipment

for their settlement. The highest authorities are, in consequence, equally liable to mistake with the man in the street." Under Collectivism it would not only be possible to tell how much money ought to be in circulation, but the issue would be automatically correct. In the present system, on the contrary, it is only from the accumulated experience of generations gained painfully in numerous commercial crises and panics that there has emerged a kind of rule-of-thumb procedure for the guidance of bankers, which may, if adverse circumstances be not too powerful, avert disaster in times of financial stress. But, wholly absorbed in the exercise of their functions as dividend producers for their shareholders, bankers can hardly be regarded as the guardians of the mechanism of exchange, as they would really be under Collectivism. H. D. Macleod in *The Theory and Practice of Banking* (Ch. IX, §29) remarks with regard to the Report on Irish Currency in 1804:—"We cannot fail to remark that none of the professional witnesses, i.e., the directors of the Bank of Ireland, or the other bankers examined, had attained the smallest glimpse of the principles which governed their own business, and by which they should have directed their policy. Its true principles were clearly seen and announced by the extra-professional witnesses, and laid down by the statesmen who formed the Committee. We may suppose that fear of giving offence to their customers, and so diminishing their business and profits, may have somewhat dimmed their perception." Further (§44) he indicates the temptation to both bankers and merchants to handle the currency in their own interests. Bankers by extending their discounts reap a proportionate profit, and so increase the dividend to the proprietors, while merchants are interested in such action, as they desire as much accommodation as possible, and a restriction of issues would curtail their operations.

Under Collectivism there would be no opportunity for tampering with currency; the issue would be automatic. With the abolition of private enterprise the power of the capitalist banking interest would be broken; and yet there would be no lack of capital for industrial enterprise. The necessary capital for maintenance and extension of already established industrial operations, and for the opening up of new fields, would be collected methodically and gradually in prices. The saving necessary for industrial purposes and other national requirements must not be left to haphazard, must not depend, as at present, on the cupidity of private

individuals, or be affected by their timidity or fears. *Saving for public purposes, and this includes all that is required for all economic operations and development, must be a public function just as taxation for governmental purposes is at present.*

The speculation of bankers and merchants for their own profit with the savings deposited in the banks by people who have neither the knowledge, the courage, nor the energy to make investments themselves, would cease, and this would be a distinct advantage. As Walter Bagehot in *Lombard Street* (Ch. I) says, with reference to the disastrous failure of Overend, Gurney and Co., a banking house, according to him, second only in importance to the Bank of England, bankers do not always manage their business with discretion, and that firm's "losses were made in a manner so reckless and so foolish, that one would think a child who had lent money in the City of London would have lent it better." Again he says (Ch. 8) : "The cash reserve of the country is as precious a deposit as any set of men can have the care of." And yet (Ch. 2) :—"we have placed the exclusive custody of our entire banking reserves in the hands of a single board of directors (Bank of England) not particularly trained for the duty, who might be called 'amateurs,' who have no particular interest above other people in keeping it undiminished, who have never been told by any great statesman or public authority that they are so to keep it or that they have anything to do with it, who are named by and are agents for a proprietary which would have a greater income if it *was* diminished, who do not fear, and need not fear, ruin, even if it were all gone and wasted." Prof. Shields Nicholson, too, in *A Treatise on Money and Essays on Monetary Problems* (p. 187) calls attention to the fact that "a few fraudulent directors in one great bank may shake the credit system of a whole country." Is it wise to allow such a state of things to continue?

How would the proposed currency affect foreign trade? With capital and land internationalized on the lines suggested herein there would be no difficulty. Exchange would operate in business between different countries just as it would do between districts in the same country. States outside of the Collectivist union would have their own currency, perhaps based on a metallic standard in the old style. But this would present no greater difficulty than there is in the present system, when a gold standard country trades with a country that has no metallic basis, but simply an inconvertible paper currency. And, in dealing with Collectivist states, other

countries would not at least have to take into account vagaries of prices due to depreciation of currency through over-issue, or any other merely financial cause.

Having sketched the mechanism of exchange that seems to emerge naturally and inevitably in a collectivist economic system, we must turn to that most important problem, so difficult to solve, which arises in connection with all ideal economic institutions and arrangements, the problem of its realization, of its introduction into practical social life, and its full development therein. The object we must keep in view and direct all our efforts to attain, is to establish in the present system at the earliest possible moment, and even on the smallest scale, such arrangements as we consider will expand into the complete ideal institution, and gradually take the place of the pernicious capitalist institution.

The immediate establishment of a limited instalment of the collectivist monetary and banking system seems to present no technical difficulties. The State is even now the employer of a very large proportion of the population, and, with the growth of the State control and ownership of industrial capital, the number of its employees will increase. Just to mention some of its administrative and industrial departments, besides the Army and the Navy, there are the Customs and Excise, and all the other branches of the Civil Service, the Post Office with the telegraphs and the telephones, the Dockyards, all carried on in times of peace ; while under war conditions all sorts of additional activities are undertaken by the State. There is scope here and now for a State Bank, which would issue special notes for the payment of the labour of all kinds and ranks employed by the State, and which would grow *pari passu* with the growth of the State in collectivism. These notes would be legal tender, and would only be paid out on condition that the equivalent in revenue was raised for this purpose by taxation or by payments for services within the current year, as it ought to be. The present money term of "pound" would be used as the conventional unit of calculation and measurement. Theoretically, these notes would, if paid to those employed in the services maintained by taxation, such as the Army and the Navy, the Civil Service, etc., pass back to the Treasury in payment of taxes, and if paid to those in the self-supporting services, like the Post Office, pass back to the Post Office and to the others in payment of postage, telegrams, etc. Not improbably, many of these notes would pass into general circulation and keep there

for a time. But other money would be received and could be used in place of the new money that ought to have been returned.

The question now arises, would it be sound finance for the State to pay not only the wages or salaries of State employees in the proposed new money, but also the accounts for stores and articles of all kinds supplied by capitalist firms for use in the State services. There seems no good reason for objecting to such action. The money for the payment of such articles must be raised by the taxation of the community or by the sale of State services, in the price of which the cost of such articles is included. In theory again, such State Bank notes would simply be the circulating medium passing from the State to the capitalist suppliers and back to the State *ad infinitum*—the soundest of all money. The issue of notes in payment for work done for the State, for which the community is taxed within the financial year, is totally different from the criminal action of so many governments during and after the War in issuing notes which had no backing in taxation, thereby depreciating the currency and consequently raising prices, upsetting all financial and commercial arrangements and undermining society. As we have said, if all the State Bank notes were not returned in payment of taxes and services within the recognized period, the equivalent received in capitalistic money would be used in the next payment instead of the State Bank notes.

Another question arises: would it be sound finance to allow the State Bank to issue notes for use by municipalities? Just as in the case of State transactions, these notes would be paid out by the municipalities in salaries or wages to municipal employees and to the suppliers of stores and articles of all kinds used in their services, and would return in payment of local rates, which would have to be imposed within the financial year to cover these payments. This also would be the soundest of money. The Bank would, of course, require to have the books of the State services and those of the municipalities audited by its accountants to ensure that the issues of notes would never be in excess of the amount to be duly raised by taxation, or recovered by payments from the users of their services.

The reason for the use of these State Bank notes in the present system is the necessity for the introduction of the new system of exchange and currency. But apart from the benefit to the whole community from the introduction of this sound

money, especially with the object of its universal application and use in the future, would there be any immediate pecuniary benefit, and therefore inducement for a municipality to adopt it? It seems that there would be. The accountants appointed to audit the books of the municipality would certify the sum required in a given period and duly covered by taxation, and the municipality would have credit opened in the books of the Bank. For this no interest would be charged, but simply a small charge to cover actual working expenses. Therefore the municipality, in the event of delay in its taxation receipts, would be enabled to make its payments for salaries, wages, etc., without having to pay a capitalist bank for accommodation, or the capitalist granters of a temporary loan. This would be legitimate and sound finance, because the State Bank notes would guarantee that the necessary social work to the extent of their value had been done and would be paid for in due course. Banking, currency, and credit must be nationalized just as well as other economic institutions, and there can be no justification for allowing capitalists to monopolize currency, and make a profit out of it at the expense of the community. Such an arrangement as this would preclude municipalities from using any State Bank money for new schemes unless new taxation had been arranged for and approved that would cover the advance within the current taxation year.

County councils, parish councils, educational authorities, and other similar public bodies, might enjoy a like advantage. The immediate value of this sound currency would be very great, and its volume and benefit would increase enormously as the large industries like mining and transport were nationalized. It would be unwise to allow the State Bank to compete with other banks for capitalist business. That is not a safe line of attack, for the trained bankers required would make the same mistakes they make in capitalist employment. The trouble lies in the capitalist system of private ownership and management of industrial capital. Capitalist banks would languish in proportion to the growth of the State Bank due to the extension of the nationalization of industries. That is the best method of breaking the power of capitalist finance, but it does not preclude the interference of the State in banking affairs affecting the national interests.

Let it be clearly understood that social work actually carried out, or in process of being carried out, is a sound, legitimate, and entirely satisfactory basis for free credit

from the State Bank when payment is guaranteed in the way described. This is undoubtedly the meaning of the latter part of the demand that appears on all collectivist programmes "Nationalization of the Means of Production, Distribution, and *Exchange*."

To recapitulate. We have seen how the evils of the capitalist system of finance, banking, credit, and currency, have been pointed out and condemned by experts who are biased in favour of the capitalist system, who indeed have visualized no other fundamentally different. We have also seen, it is hoped with some degree of clearness, the ideal system that we must strive to realize. The credit system under Capitalism is a source of profit to the capitalist class, and the hope of increasing their profits is an incentive to illegitimate, or risky and speculative business, which always reacts disastrously on the public welfare. Credit under Collectivism is simply covered by the free State Bank currency, which represents socially needful work actually done, but not yet purchased or met by taxation, although certain to be. Such credit must not be allowed to be a source of private profit, but as a social necessity must be free to the community, in other words, must be nationalized. The community must use its own money, and not capitalist money for which it has to pay a high price.

We have seen the kind of mechanism of exchange that would operate under Collectivism, and how simple it is in comparison with the capitalist "mechanism," euphemistically so-called. Moreover, what is of exceedingly great importance, we have seen how the system can at once be established alongside the old, and the extensive work it can do immediately with the most beneficial effect, also how it can expand as fast as the collectivist activities increase.

Before leaving this subject we shall consider some of the lessons to be learnt from certain financial and currency arrangements made during the War, as they throw useful sidelights on paper currency as legal tender, and incidentally on the principles of taxation. Governments and financiers during the War, and since, have amply demonstrated their ignorance, or, perhaps more correctly, their recklessness. In spite of the lessons that history gives of the calamitous results of inflation or degradation of the currency, all the European states proceeded to manufacture currency in order to pay for war materials and services, without—and this is what constitutes the action a crime against society—without

proceeding at once to impose taxation equal to the extra currency, in order to withdraw it from circulation immediately after it had performed the function of normal currency.

The pecuniary cost of all the efforts that any country devotes to the prosecution of war is met necessarily by that country itself out of the *current income* of its nationals, except that portion of the cost covered by loans from foreign sources or by the sale of foreign securities abroad. The economic problem of the production of social necessities during war, i.e., not only the means of subsistence, but war materials and services, is solved—with difficulty, it may be—by the victors; and inability to solve it means defeat. The nation does not, and can not, spend or use more than it is contemporaneously producing, with the exception just mentioned.

To take the case of Britain; the nation through the government ordered and bought from citizens and firms of citizens services and war materials; and the government paid for them partly with revenue got from loans and taxation, and partly with paper promises to pay, which were forced into circulation as legal tender. The essential economic feature of loans and taxes, as well as of the inflation of the currency, is that the spending power is obtained voluntarily or by force from those who have it, and diverted to the use of the State. This spending power at any given time, as has already been explained, is simply represented by the debt for work actually done, due by society to the producers who have done that work, and to the capitalists who have drawn the rent and the dividends. That debt is represented by the currency held by those persons or lying at their credit in the banks, and is liquidated by the exchange of commodities and services for that currency. Its holders are able to hand it or some of it to the government for national purposes. Both loans and taxes (inflation of the currency is simply a vicious form of taxation) can only be got from this legitimate claim on goods and services, or in other words, from current income. Fixed capital is of no use for loans and taxes. A loan, it is true, may be got from a person who has nothing but fixed or invested capital, but only if some other person who possesses this current income, this spending power, lends it to the former on the security of the said capital, or buys it outright.

But, it is generally argued, all the cost of a war should not be borne by the generation in whose time it is waged—posterity should bear its share of the burden. How does that argument agree with the view that necessarily the cost of a

war must be paid out of current income? It does not controvert it; it merely means that a change in the incidence of taxation would be made. It is an argument in favour of loans, voluntary or forced, and against immediate taxation. The loan is, and must be, taken from current income, but instead of this form of state revenue being like taxes appropriated outright from the owners of the spending power derived from current income, it is merely borrowed from them, and, should it not be paid off for generations, is paid several times over in capital and interest. The people who lend are able and willing to forego the spending of the money they lend, provided they receive the interest periodically. It is not because they are unable to pay the tax that they prefer the loan; it is because it affords a safe and profitable investment. In the main the loans are subscribed by people who have still a large spending power after having supplied their wants and met the demands of the revenue collector. Taxation on a more equitable basis would attach this surplus spending-power possessed by the rich and the well-to-do. Why should they receive preferential treatment? Others with smaller incomes are cut down to the quick. Why not all? It is not capital but only income that need be, or indeed could be, attached, and in time of war everyone is, or should be, prepared to endure extreme hardship. Similarly, abnormally large salaries and wages paid in such times of stress ought to bear a relatively large share of the abnormal taxation.

It seems perfectly equitable to levy by means of taxation all the revenue required, economically it would be preferable because the interest would be saved, and politically it would be possible, for the people are more patriotic than statesmen believe. Foreign loans must of course be dealt with according to contract and faithfully redeemed, principal and interest. If any concession were made to the advocates of the proposals for making posterity pay its share, it might take the form of a forced loan, on which no interest would be payable, only the principal having to be returned, for in absolute ethics there is no justification whatever for interest. With interest-bearing loans the same generation pays in interest alone almost twice the amount of the loan. The present generation therefore, in order to get succeeding generations to help it to pay off its national debt simply takes measures to pay out itself almost twice the amount in interest alone, besides perhaps paying off a third of the capital! It hardly seems good sense. It only benefits those with large incomes at the expense of the

poor—provides them with more gilt-edged securities at the expense of both the present generation and posterity.

It was a most vicious method of meeting the expenses of the War to issue paper currency (forced legal tender) without provision for its immediate withdrawal from circulation after it had performed the function of normal currency. In normal times the amount of currency in the banks, in industrial and commercial tills, and private pockets, is, roughly, sufficient for the performance of the functions required of it. The amount, in actual circulation is with considerable and economically injurious divagations issued *pari passu* with the performance of socially necessary and productive work, and when it is spent on already completed articles it passes through the retailers' hands back to the manufacturers and other producers. Although, as we have seen from the criticisms of competent investigators, there are at times extremely serious breakdowns, it remains more or less sufficient for the work required of it. To the extent in which it is held by private persons either in their pockets or in the banks at their credit, it represents on the one hand, the debt of society to them for the work they and their employees have done, and the profits they have made, and on the other hand, the assets represented by the values actually produced but not yet sold to the consumers.

During the War this comparatively steady normal position was rudely disturbed. The government forced credits from the Bank without levying taxes with which to pay off the debt. Currency notes and other promises to pay were issued, and with these the munitions of war and all sorts of services were paid for. The action of the government was analogous to that of a forger flooding the country with false notes. But the results were more serious, for it was done on an immense scale, and the notes were declared legal tender and were thus forced on the community.

Now what became of the extra currency issued on account of the government? It was legal tender, and therefore increased the total amount of legal tender in the country. There would have been no evil effect if the new paper money had been simply sufficient to take the place of the gold that was withdrawn from circulation. The total amount of legal currency would not have been increased by such a measure. But when the printing press is used to turn out currency to pay the whole or a part of government expenditure, and this currency is not withdrawn by means of taxation, the result is that the country

is saddled with a more cumbrous medium of exchange, prices are proportionately raised, owing to the relative increase of money and decrease of goods, increased demand and decreased supply ; and prices must remain permanently at a higher than the pre-war level until the illegitimate currency is withdrawn. This reduction can only be effected by the government imposing sufficient taxation on the people to enable them to withdraw and cancel all the currency issued in an illegitimate way. Had the government, when currency notes were issued in this way, imposed at once taxes to redeem them, prices would not have risen, except in so far as scarcity forced them up, because private spending power would have been reduced by the taxation. There would have been another advantage ; the burden of the debt would have been more equitably distributed. It would have been distributed in proportion to ability to pay, in so far as the system of taxation, which is in theory based on that principle, corresponded with it. When this is not done, the increase in prices is simply taxation, and those with small incomes suffer most, for there is no "exemption" or "abatement" for them in this system of taxation, the enhanced prices bearing on each exactly in proportion to amount spent, and not on capacity to pay ; and this conflicts with the canons of taxation.

CHAPTER VIII

TAXATION AND INSURANCE

IN dealing with Taxation under Collectivism we must first inquire into the characters differentiating the services that ought to be supported by taxation from those vastly more numerous services that ought to be supported only by payments from the persons who choose to take the benefit of them, and only in proportion to that benefit. The Collectivist State, it must be borne in mind, will carry on as national concerns practically all economic services, industrial and professional; and it is therefore necessary to discover the principle according to which services that ought to be supported by taxation can be distinguished from all others. Communists openly declare that their ideal is to have all services "free," which can only mean of course that all services must be supported by taxation. This would lead inevitably to forced labour and rationing, which, if society were not totally wrecked, would result in waste, inefficiency, and virtual slavery. One of the best ways of combatting the pernicious doctrines of Communism is to formulate the fundamental principle of taxation, for it justifies the making of only a few of the national services "free," to use the word in the communistic sense, and by implication excludes all the others from that category. Let us consider one or two concrete cases of the two classes of services, and try to discover the distinctive features according to which they should be placed in the one class or the other.

The executive, administrative, and legislative services of government, together with its police and military and naval forces for preserving law and order and for external defence are considered indispensable by everybody except anarchists, and are supported by taxation. On what grounds can the support of these services by taxation be justified?

The first ground is that these services cannot be paid for in any other way than by a periodical levy on all citizens.

If this were not so, on what occasions should those who benefit pay a price for the services? The few who have to call for the assistance of the law or the police could only make a contribution which would be infinitesimal in comparison with the total expenditure.

But there is another ground. The existence of government preserves the national state from external enemies and from internal disruptive forces, which would destroy society if allowed free play. These government services are required by all, and must be continued without cessation, for the purpose of prevention rather than cure. Without a government each would have to defend his life and property himself. In the struggle many of the strong would survive; many of the weak would succumb, but so would many of the strong; while against foreign aggression no defence would be possible. The risks are therefore run by all, and all equally need protection from them. Consequently all must maintain the arrangements necessary to prevent the dangers feared.

With these typical government services may be contrasted the railway service. It is typical of those which ought not to be supported by taxation. It is true that it also is in operation without cessation and is for the general good; but the benefits are not equal for all, and moreover they can be measured for each. There is no unpredictable danger threatening all, and actually injuring some, which it has to provide against, but definite benefits are to be got from its activities, and by those who wish them. The cost of its maintenance can be collected from those who use it, when they do use it, and in proportion to the use they make of it; and this not only ensures equity, but economy in its use. There are risks of accident certainly, but these arise out of the nature of the system of conveyance, and are not risks which the railway service has been instituted to prevent.

Before drawing any conclusion from these two services, which are typical of the two kinds we have referred to, let us consider a third, and so perhaps make the distinction clearer. It is a service which at present is not under government management, and is not supported by taxation, but which ought to be, for the same reasons that the services necessary for the preservation of law and order are. The community requires protection not only from the forces of social disorder and from foreign aggression, but from disease. It requires both prevention and cure. The medical service therefore ought to be on the same footing as the government services

just considered. At present, except in the case of certain infirmaries, hospitals, dispensaries, and other similar institutions, supported by public subscriptions and gifts, this service is conducted on individualist lines. Medical men receive their technical or medical education at their own expense, or with the assistance of their relatives or of public benefactors; and they draw their income from their patients. There is an ethical objection to this individualist system. The risk of disease and accident is common to all, and those who suffer ought not to be the sole support of the medical service—more especially as each becomes liable for the payment of his share just at the time when he is unable to earn an income. All try to avoid accident, disease, and ill-health, and in a moralized social system all its members would share equally the expenses of prevention and of the assistance to the actual sufferers. The whole cost of the medical service ought to be borne jointly by all the able-bodied members of the community, just like the defence force of the country. The one is in defence of the people against disease and accident and their consequences, just as the other is against foreign enemies and the forces of disorder and crime. The cost of its maintenance, it is true, can be, and is for the greater part, collected from the sufferers. But this is unjust.

The government and medical services are the two typical forms of the very few communistic institutions that are legitimate. Both are fundamentally insurance institutions. An insurance institution is really an organization for getting every effort made to ensure the reduction of certain dangers to the irreducible minimum, and having the expense of these efforts and of saving, nursing and compensating the sufferers, placed equitably on all those who run the risks. It is an institution by which an organized effort is made that has the effect of carrying out the Christian injunction to bear one another's burdens, for it means that when one is attacked all come to his aid. Misfortune comes unexpectedly, and no one can foretell who will be its victim. The appeal therefore is not merely to the better feelings of man, but to self-interest also. The system cannot demoralize anyone. It is insurance against dangers to which all are exposed, against attacks the effects of which on individuals can not be foreseen. To give assistance in such cases is a fundamental doctrine of morality. The strong and fortunate must help the weak in so far as such assistance is not demoralizing. Morality requires that this should not be left to individual action, necessarily ineffective ;

but calls for general, organized, collective action which alone can ensure the work being done effectively.

The conclusion therefore surely is that the legitimate "free" services are not merely those which, owing to their nature cannot be supported in any other way except by taxation, but those which are required for the protection of all from unpredictable and unavoidable dangers and misfortunes to which all are exposed although only some actually suffer, and for compensation for injuries and losses sustained by the latter. This seems to define the services which are the legitimate subjects for support by taxation.

All other services (including, of course, such as produce goods), that is to say, such as ought not to be supported by taxation, are those which meet all the wants of the people that can be provided for by ordinary forethought, and be rendered in measurable quantities and at measurable cost to those who desire and demand them, and are willing and able to pay for them. It is evident that, if these definitions be correct, the services for which taxes ought to be levied are very few, and are all preventive, defensive and assistive.

All services then that are the subject of legitimate taxation fall into the category of insurance services. But there are insurance services that do not fall into the category of services that ought to be supported by taxation. Only those insurance services that are required against dangers to which all citizens are equally exposed ought to be supported by compulsory payments to the state, i.e., by taxation.

There are dangers to which only certain sections of the population are exposed, such as industrial and professional risks. The cost of the prevention, as far as possible, of these occupational risks, and the cost of compensation for the sufferers, ought to be borne only by that portion of the population who use or employ the products or services of the said industries or professions. Again, risks of fire and other accidents to industrial property should be borne by the industries concerned, each by itself, because these risks vary with the nature of the industry, and those who consume the products of the industry ought themselves to bear the losses. On the other hand, personal risks that are not occupational, but are common to the general life, should be at the charge of all. The public medical service at the expense of the community would attend to such illnesses and injuries.

But the sufferers require more than medical assistance. They are for a longer or shorter time, and sometimes for the

remainder of their life, rendered incapable of working, and therefore of supporting themselves and their dependants, if they have any. Here again, the sufferers should receive their average income from the industry, if their injuries or diseases be occupational, and from the State, if not. Fire affecting private property is a risk run by all, but by each only in proportion to his property. Consequently, the premium for this should vary with the value of the property. Ought the insurance to be compulsory? Why should it be compulsory against disease and accident? Presumably because the community could not let the victim succumb, and as the burden would have to be borne by somebody, it is better to have it equitably distributed. With private property it is somewhat different. If a person foolishly chooses to take all the risk himself, it does not seem anybody's interest to interfere. That person may be rendered homeless by fire, but he has still his earning power and can pay for accommodation. On the other hand, as fire originating in that person's property would endanger adjoining property, it would have to be extinguished by the fire brigade; probably therefore all property should be compulsorily insured, at least to cover the expenses of such assistance.

Risks to the person then should be compulsorily insured against—general risks through taxation, occupational risks at the expense of the industry concerned. Private property risks as to extent should perhaps be left to voluntary arrangement with the insurance guild. Industrial property risks must be borne by the individual industries.

What about insurance against death? The insurance is really required only for the dependants of the insured person, and under Collectivism these would only be his children who had not reached the working age, and his widow who would have to care for them. Crippled parents or relatives would receive support on their own account from the State or from an industry, as we have seen. His widow and children would require support only until the latter were able to earn a living, when, of course, his widow would be in a position to do this also, suitable work being provided in all such cases. A minimum compulsory insurance would therefore be required. But there seems no adequate reason for refusing to insure any person against death for a larger amount. The rate of premium would depend on the number and mortality of those insuring for a similar amount, as this department of national insurance would have no assistance from the public purse, but would be

supported only by the premiums paid. Ought this compulsory insurance to be imposed on only the married or perhaps even only on those with children? I think only on the latter. Grants by the State, i.e., at the expense of all able-bodied citizens for any part of the expense of supporting children would justify the communist proposal of their entire support by the State, and removal from the control of their parents. But to relieve parents of heavy premiums during the non-age of their children, much smaller premiums could be fixed for those who elected at any time before or after marriage to have their payments extended over a long but fixed period or for life.

How would old age be insured against? What arrangement should be made for old age pensions? Old age is a risk to which all are exposed. Therefore all ought to be insured against it. No one can be allowed to take the risk upon himself alone, for the same reason that no one should be allowed to take upon himself alone the risks of disease or accident. A minimum insurance sufficient for support (or better, for the income earned in the occupations demanding the least "human cost") must therefore be compulsory, but, for anything over that minimum, the premiums ought to be so fixed that each class of insured would be self-supporting. This overcomes the difficulty of fixing a pension that would be satisfactory to everyone. We know that at present the greatest difference of opinion exists as to what the amount of an old age pension should be. But there is another difficulty. What age should be considered old age, or the retiring age? Here again we have the greatest difference of opinion. Proposals range from forty-five to sixty and seventy years of age. Some men are old at sixty, and some young at seventy. Again, some would like to retire early, while others would prefer to die in harness. It seems clear then that the retiring age should be voluntary, the minimum pension, however, being payable at a fairly advanced age. Up to that age allowances equal to their average income should be payable to those who were disabled by disease, accident, or any ailment. If any wished to retire before that age, they would have to pay a higher premium, sufficiently high to cover all pensions of the same class. Beyond that age people might continue working, if they wished and were able.

Legitimate taxation under Collectivism would be simply the compulsory insurance premiums leviable on all able-bodied citizens. It would take the form of an equal poll tax for

equal risks incurred by all, risks of internal disturbances and crimes, foreign invasion, disease, accidents to the person, old age and death.

For greater benefits such extra charges would be made on the insurers as the actuaries might find necessary to meet the expenditure. Compensation for accidents met with in travelling, as being somewhat exceptional, should be given out of payments made by the travellers. Fares on railways, passenger ships, tramways, motor omnibuses, and other public conveyances, would include the insurance premium.

It will be observed that, from the definition given, legitimate taxation excludes much of the present taxation, both as regards objects and incidence, although some of it may be justifiable under Capitalism owing to its inequitable distribution of wealth.

As regards the incidence of taxation under Collectivism we have indicated that it ought to rest equally on all able-bodied citizens, that is to say, it ought to be levied in the form of an equal poll tax. The reason for this is that all these citizens are equally exposed to the risks against which taxation is an insurance premium, and all are on a footing of economic equality. There is therefore no call for inequality in incidence.

The contrast between collectivist and capitalist taxation is extreme. With the unequal and inequitable distribution of wealth in the present system, an attempt must be, and is, made to levy the expenses of government from the citizens in proportion to their ability to pay. At the same time a serious evil is inherent in such incidence; for those who are exempt, or are allowed substantial abatements, are not sufficiently interested to insist on economy and control of government expenditure. This applies to direct taxation. Indirect taxation gives equally unsatisfactory results. The graduated income tax is the most equitable tax under Capitalism. In fact, all ordinary taxation under Capitalism ought to be raised in that way. But capitalist governments notoriously always take the line of least resistance in raising money, and are guided little by principles. Wherever they think they can impose a tax without raising general opposition, they do it. None of their taxes would be tolerated by a rational people in an equitable economic system. Duties on various kinds of food and drink, on tobacco and medicines, the innumerable stamp duties and licences, and amusement taxes, will all have to go. The justification for many of these is that it is taxation of luxuries, and that those who indulge

in luxuries can afford to pay a tax for the privilege. On the other hand, it means that others, equally able to pay their share of the government expenditure, who spend their money in other ways, perhaps quite as unjustifiable, escape taxation. Another tax that will not be tolerated in an equitable system, is that of the death duties. In the present system in the case of huge fortunes there is not much to be said against this form of capital levy, but it is intolerable in the case of small honestly earned savings intended for the support of dependants. If a person has the right to dispose of his savings by gift or otherwise in his lifetime, he ought not to be prevented from disposing of them in full at his death.

The principles by which legitimate can be distinguished from illegitimate taxation have been given, and under legitimate taxation we have placed that for the army, navy, police, justice, and the other necessary expenses of government, also for invalidity, old age pensions, and medical service. This is all national as contrasted with local taxation.

In the chapter on Local Government we shall deal at considerable length with local taxation, both as regards objects and incidence. Suffice it to say here that public drainage and sanitation would be at the charge of the export industries of each district. Public lighting, cost of streets, roads, and bridges and their maintenance and cleaning would be partly at the charge of the citizens and partly at the charge of the owners of vehicles. Public parks and gardens should be maintained at the expense of the city, which would receive assistance for such purposes from economic rent and the sale of building lands. Amusements, swimming baths, bowling greens, tennis courts, golf course, and all services and provisions for the benefit of only certain sections of the members of the community, would be at the charge of those who used them.

What about the support of the Church, education, science, and the fine arts? Churches ought to be supported only by those who believe in their dogmas and doctrines. On what plea of justice could those who do not, be called upon to support them? The question however arises: Is it not in the interest of the State or community to insist on all citizens knowing the laws of right conduct between man and man, and therefore to provide the means of education to that end?

If the question be answered in the affirmative, the teaching of morality could not be entrusted to any of the churches. They have shown little aptitude for it, and it is far from

being the main object of their existence. They confine themselves to "*la petite morale*," and to the creating of that elusive phenomenon, a moral atmosphere; no application of morality to the economic life is dreamt of. They ought not to receive any grants or endowments on the ground that they perform a service to the State in teaching morals. Their ethical theories are on an unsound basis; they are erected on theological dogmas, and since they crumble away with the decay of dogma, they are a poor defence against social dissolution.¹

But as knowledge of the actual political, economic, and ethical arrangements of society is required by all, such education ought to be provided. It should deal not only with actualities, but with the various ideals generally held. The professional teachers would have to be paid by the State, for the knowledge is necessary for the proper conduct of the citizens, and for the maintenance and security of society, and therefore the teaching of it should be supported by taxation. In every centre of population competent professors or lecturers who themselves would not only teach but would enlist and utilize the voluntary services of citizens who were interested in and fitted for the work. All such teaching would be open to free discussion and criticism, and the facts regarding existing social and economic institutions as well as current ideals would form the basis of proposals for betterment.

Much work remains to be done in the establishment of ethics on a solid basis, and in the development of the practical rules of conduct, especially in their application to economics. At the present stage free discussion is what is needed, and plenty of it. It may be long before a sufficiently substantial

¹ "Religion usually inculcates morality; it always inculcates doctrine, and offences against morality are always subordinate to offences against doctrine. It is a transmuted emotion in a conventional form. Belief is always the essence of religion, and the nature of the belief is determined for each individual by the environment into which he is born. In other words, it has to be taught. Egoism, love, social feeling and jealousy do not have to be taught, they are inborn and can neither be taught nor untaught. Dogma is the essential feature of religion, and wrong actions are less obnoxious to the pure religious feeling than wrong belief. For this reason, heresy was punished not merely with death, but with the most exquisite tortures. . . . As a rule, men imagine that morals are dependent upon religion. Religion is dependent upon morals. The moral sentiments are buried deep in the unconscious mind, where their presence is not easily discerned." From an article in *The Edinburgh Review*, July, 1923, on *The Biological Foundations of Human Character*, by Sir Frederick W. Mott, K.B.E., M.D., LL.D., F.R.S.

body of ethical doctrine is evolved, which could be taught with authority and general approval. But centres for such work should be opened in as great a number as possible, and carried on by the people themselves. From among them will arise thinkers and teachers who will be stimulated by free discussion and criticism.

A knowledge of citizenship should be possessed by every citizen. Indeed it is worth consideration whether any citizen should be allowed the franchise without having attended a full course of instruction and passed an examination on the subject, and whether he should be allowed to fill any public office, or sit on any public board, without having followed a higher course of study, and shown a certain proficiency. These are no doubt utopian ideas, but democracy does stultify itself when it allows knowledge and wisdom to be swamped at the polls by ignorance and prejudice, with which so many in every class may justifiably be charged. A knowledge of citizenship would include a knowledge of the constitution and mechanism of society, political and economic, and of the laws of conduct required in the modern state. Not only the public lectures and classes mentioned ought to be arranged, but there ought to be public libraries provided with a good store of books bearing on the subjects of economics, ethics, and sociology. Such libraries would be at the charge of the State, unlike libraries of general and technical literature. The ethical societies mentioned will, it is to be hoped, spring up spontaneously, and will deal with the same subjects, and discuss them with more freedom and in greater detail, so that they would be actually engaged in original or research sociological work. But this is probably another utopian hope.

This leads naturally to the consideration of the support of elementary, secondary, and technical, including university education. Ought all or any of it to be supported by the State, that is to say, by taxation? Technical education, which includes the higher or university education, must be left to the industrial and professional guilds to maintain, for the cost should be borne by the citizen in proportion to the benefits he derives from it, and as the cost of such education will form one of the constituents of price, he will pay his just share in the price of the articles he uses or the services he enjoys. Medical education would, of course, be at the public expense.

Elementary and secondary education ought to be given at the expense of the parents. But we have been so long

accustomed to "free" education that to most people such a proposal will seem ridiculous. Nevertheless, I maintain, it can be justified. Free education, since it is now established in the capitalist system, may be tolerated for a while, but it must not be allowed to form a precedent for further communistic taxation. Free meals, free clothing, free support and education even through the university, and endowment of motherhood, follow logically from our apparently innocent "free" education. This can only be countered by recognizing and insisting that free education is not ethically justified, and that the cure for inequitably low incomes, a circumstance which is supposed to excuse it, is not relief at the expense of the taxpayer, but increase of wages at the expense of the employer. Without this recognition a communistic institution like free education is a direct encouragement to the establishment of more communism. We have to thank the industrial capitalists for free education, this decided and dangerous movement towards Communism. Wages had to be kept at the lowest level for their profit; anything for the benefit of the working man had to be done at the expense of the State. Under the old poor law they managed to get the community to supplement the starvation wages, and they are always on the outlook for opportunities of laying their responsibilities on the State. Bolshevik arrangements are all right when they are for the immediate benefit of the capitalist. Normal parents consider it not a hardship but a pleasure to support and educate their children. The parents who do not, and look to the State to meet the expense, reveal in this way a very debased character. There is a distinct tendency, which has its origin in free education, towards the break-up of the family, the transference of responsibility from the parents to the State, and the gradual withdrawal of children from the control and keeping of their parents. We have seen the true goal of the communist in the Russian Bolshevik dealings with the family.

It may not seem quite clear to some why the State should bear the expense of teaching citizenship ethics, but not that of any other kind of education. The first, however, is a measure necessary for the security and stability of society. The education of the young is a responsibility that naturally lies with the parents, just like feeding and clothing them; and if the many unnecessary subjects taught now were cut out of the curriculum, the burden would not be a heavy one. In any case it might be lightened by the annual payments

being reduced in amount, and increased in number, so that instead of all the cost of education being paid while the children are receiving it, and when the expenditure of the parents is heaviest, it would be spread over a much longer period.

Science in most of its branches would receive public support under one form or another. We have seen that the various guilds or industries would require the assistance of science, and would arrange with each other for research work and for scientific education, which would be carried on at their expense and recovered in the prices of their products and services. Sciences of a less obviously practical nature would have their claims for public support considered on their merits. The fine arts would receive similar treatment and consideration.

In conclusion, the subject of the National Debt requires to be glanced at. In most countries it has reached colossal dimensions, and is an intolerable incubus on national prosperity. In perhaps no other way is the inequity of interest brought home so vividly to the public. The burden would be lightened indeed if only the principal had to be paid. In twenty or twenty-five years it might be cleared off. With interest and a sinking fund it takes three times as long to pay it off, and only with a great effort. In justice, repudiation of interest on the National Debt cannot be thought of, so long as interest on other forms of investment is tolerated. In the transition period it must be dealt with in precisely the same way as these other forms; and this question we shall deal with in detail in the chapter on the Process of Collectivisation.

CHAPTER IX

LOCAL GOVERNMENT

WHAT part do municipal, county, and parish councils play in our present system of local government, and what changes in their functions and powers are required and would necessarily come about under Collectivism?

What are the present functions and powers of the council of a typical municipality? Streets and roads are made and maintained, cleansed, watered, and lighted by it; drainage systems are designed and carried out; the amenity of the city is safeguarded by the control of all building, a special court issuing building licences, which stipulate among other things the height of the buildings, the breadth of roads and streets; water, gas, and electricity are supplied; tramway and other public conveyances are run; public parks, gardens, and play-grounds are provided, and kept in good condition; public order is maintained, and traffic regulated by the police; licences are issued for cabs, brokers, porters, guides, chimney-sweepers, theatres, and public-houses; weights and measures are inspected; public safety is secured by the fire brigade, and by the police control of rivers, canals, and lakes; private comfort and pleasure are catered for by the institution of swimming baths, public wash-houses, the lighting of common stairs, the provision of music in parks and halls; public health receives consideration in the establishment of hospitals, in the precautions against infectious diseases, in the control of common lodging-houses, byres, dairies, slaughter-houses, and workshops, and in action against the smoke nuisance; in connection with education the council deals with free libraries, museums, sometimes endowed educational establishments, and even, it may be, with a municipal astronomical observatory, or a veterinary college; also with various odds and ends, such as public weighing-machines, markets, drinking fountains, cruelty to animals, historic buildings, ancient burying grounds and public monuments; it also deals with charities and relief from the rates; and finally it does the

work connected with the management of the properties of the city, with finance, law, and parliamentary bills.

We find therefore the municipal councils with a large variety of functions connected with public health, public safety and comfort, transport, amenity, education and industry, while the magistracy administers and enforces various acts of parliament.

In order to deal with the changes necessitated by the institution of Collectivism, there seems no other way except the rather tedious one of considering in detail to what extent the various functions of municipalities at the present time would likely be modified or transferred to other bodies, as well as the additional functions that might have to be imposed upon them.

We must first try once more to visualize the change wrought in the economic arrangements of the community by the substitution of Collectivism for Capitalism. Let us take for granted that a case has been made out for the conduct of all industries on the principle of the ownership of land and industrial capital by the nation, with each industry organized as a unity or guild holding in trust for the nation the land and the industrial capital appertaining to its functions, and turning out in the required quantities its products guaranteed as to standard, and sold at a price that would include the charges necessary for the upkeep, renewal, and extension of the capital, as well as the labour cost of production, the pay of labour being at rates fixed by an impartial national wages board with due regard to the relative "human cost" of the work of the different crafts; while all guild regulations, work, and prices, in short, all guild arrangements as they affect the consumer as well as the guild worker, would be, if apparently justifiable complaint were made, scrutinized by a government department or court, and, if parliament deemed it necessary, modified by legislation.

It is evident that under such a system, just as the guilds will take over business carried on by private firms, they will also take over certain kinds of work carried on now by public bodies. Undoubtedly the fear that the municipal services would in that case be removed too far from the control of the councils will naturally necessitate the movement towards guild management being taken with great caution and in experimental fashion.

The orders for some of such work will be given by municipal councils acting for their constituents, and not by the individual

constituents as will be the case with most services and products. In this category would be included, for example, drainage, the water supply, the construction, maintenance, cleansing, watering and lighting of streets. Clearly, a representative body must give orders for the provision of such communal work and services. It would have the right to lay its requirements before the guilds and to get the work or services supplied according to the standard, and at the prices fixed by the proper board.

Disputes would be settled duly and in orderly manner by the proper courts. In the case of serious dissatisfaction with any decision, the council either independently or in conjunction with other councils could agitate for legislative action. The council would be responsible for payment of the cost of material, labour, and services, and would distribute the total cost over its constituents according to the principles recognized by law. Such principles would have to be discussed by the public, by the municipal councils, and by the representative conferences of councils, and when drawn up and agreed upon laid before parliament for ratification. Parliament would hardly in the face of such authority venture to refuse ratification, but might send back the draft bill to the councils for reconsideration and for answers to the objections raised. These principles are the very important ones of local taxation, about which there is much to discuss, both in relation to the services necessarily to be maintained in this way and in relation to its incidence.

Certain services such as gas and electricity form a separate category. They would be needed for communal purposes, but the greater part of the production would be required for private use and industrial purposes. The guilds concerned would deliver according to the national standard, and would collect payment therefor from public and private consumers according to consumption. Naturally for the purpose of the reduction of expense in opening up streets for pipes and cables, the council must co-ordinate the work of the guilds dealing with drainage, water, gas, and electricity, and tramways. It must arrange with the guilds about the time, place, and manner of the execution of the respective kinds of work, and this would call specially for foresight. The council would give orders as to what work was required, and how and when it was to be done. The guilds would simply carry out or supply what was wanted.

These functions of a municipal council are very important,

but another would be required of it of even greater importance. The council is specially connected with the services mentioned, because they are communal or semi-communal, or are likely without regulation to cause inconvenience, discomfort, or unnecessary expense to the citizen. All other services, performed by any guild whatever, it would not be concerned with in the same way. But with regard to all industrial, all economic, and all hygienic matters it ought to take action when necessary in the interests of its constituents. It ought to receive complaints about commodities and services from consumers who have not been able to get redress from the guild concerned ; it should make investigation, and if necessary lay the matter before the proper boards and courts. If without success, it might discuss the matter publicly, and agitate with other councils for reform.

The municipal councils then would not extend their functions as employers of labour in the capitalist meaning of the term, but would rather find them reduced to insignificance. But they would assume a more important and more commanding function. They would supervise the whole economic field of their district in the interests of their constituents. There would be no obstacles in the way of their complete identification with their constituents, and as representative bodies they would possess great influence. Since they would have no responsibility for rates of wages and other conditions of labour, prices and standards of work, all of which would be settled by authorized boards for general application, and since the members would have no axes to grind owing to the abolition of private profit-making businesses, they would advocate the interests of their constituents single-heartedly. As the faults they might have to find with the workings of the economic system would probably be general, and could only be corrected by the highest courts, they could only succeed in carrying reforms by convincing these courts of their justice and desirability. For effective work there would have to be inter-communication between local councils, and machinery would have to be devised to facilitate this. The councils should have a sufficiently large number of members to secure the representation of all shades of thought and opinion in matters of importance.

The councils would as at present perform the administrative duties devolving upon them from the government. The preservation of public order through the police, the preservation of the public health by the inspection of factories,

workshops, byres, dairies, slaughter-houses, the preservation of public safety by the fire brigade, and the banking, fencing, and watching of rivers, canals, and lakes, and the regulation of traffic, would have to be cared for by the councils, with special regard to the interests of their constituents, even though the guilds would have their own inspectors for factories and all other works required in industry.

The housing of its population would occupy the attention of each council especially in the early stages of Collectivism. As we shall see in the chapter on the Process of Collectivization they would require to supervise the process of nationalization and transfer of house property as private property to the tenants who had until then been only rent-payers. It would also, at any rate in the early stages, instruct the builders' guild to demolish old and undesirable dwelling-houses, and erect new houses to suit the wants of the people. As a permanent function the care for the amenity of the various districts would have to receive greater attention than it has ever received in the past. The councils would receive the economic rent from their citizens and use it to equalize the attractiveness of the various districts of their cities as places of residence, in respect of comfort, convenience, and health, as well as beauty, natural and architectural.

Public parks and gardens, and playgrounds for children, public baths, music in parks and halls would be dealt with in conjunction with other amenities. Historical buildings, ancient burying grounds and public monuments find their place in this category.

Hospitals, infirmaries, and all provisions for the prevention and cure of disease, would come naturally under the management of the medical guild. But the councils would on all activities whatever, medical, educational, or industrial, have to keep a watchful eye in the interests of their constituents, would have the right to investigate complaints, and if necessary bring pressure to bear on the proper authorities for redress, or obtain governmental and parliamentary interference.

Education must be left to its special guild, but the State would have to reserve its power of direction. Libraries would naturally have to be provided, but would be supported by private subscription, and it is to be hoped they would be replete with books in all branches of literature to an extent we rarely experience now. Museums and libraries of technical works would be left to the guilds' educational departments.

There would be no charities to look after, no need for relief

from the rates; "lodging-houses" would be no more; licences for cabs, porters, guides, chimney-sweepers, public-houses, etc., would not be required, as the respective guilds would attend to the efficiency of their members and to the standard charges. The councils, however, would supervise and safeguard the public interests.

So much then for our general survey of the functions of town councils under Collectivism. County councils would have practically the same functions as town councils.

Parish councils would be rendered obsolete by Collectivism as far as their present functions are concerned. There would be no poor. The able-bodied would be provided with work, which would enable them to earn an income equal to that earned by any other person with the same "human cost." The temporarily and the permanently disabled would, against the requisite medical certificate, draw their allowances from the State or from their guilds.

Perhaps it would tend to efficiency if small districts or parishes in every municipal district had each its council which would discuss all local and municipal matters and bring them when necessary before the municipal council itself. Although these parish councils would have no administrative powers, they would exercise a powerful influence on the greater council. Moreover, they would serve as a training ground for future members of the municipal council, and the capabilities of the members could be better estimated in a small district. They would be formed of elected representatives who alone would vote; but it seems advisable that any elector should be allowed to take part in some, at least, of their meetings for the discussion of public affairs.

We must now consider the question of local taxation and its incidence.

The expense of performing the administrative duties imposed by the State, of the administration of justice, and the cost of the police, ought evidently to be met by the State.

The cost of services that vary with the geographical position and site, and with the extent of the local industries, ought to be charged against the local export industries. Therefore the expense of the main drainage, of the supply of water, and the cost of the public health inspection should be included in this category.

The cost of the fire brigade would be at the charge of the State insurance department, which would levy suitable premiums on all property.

Education, public libraries, public halls, public music, gas, and electricity for industrial and private purposes, would be paid for by those who benefited by such services, and not by the community through taxation.

There would therefore be little more than the expense of municipal administration, public lighting, the upkeep of the parks, and the construction, maintenance and cleansing of roads and streets, that would be communal expenditure.

The only item requiring consideration here somewhat in detail is the incidence of the taxation for making, maintaining and cleansing the streets and roads. Other communal taxation should be raised by an equal poll tax on all able-bodied work-fit citizens.

Streets and roads seem at first glance to belong properly to the sphere of the transport guild for management in conjunction with railroads, canals, docks, harbours, etc.

But is this economically and ethically desirable? If all such means of transport were managed by a central national board or guild, how could the streets of cities and towns receive such attention that the inhabitants would be satisfied with their provision and upkeep? We need not consider the main roads and highways for the moment, as there seems to be no objection to central control in their case, but solely the streets of cities, towns and villages. According to present arrangements the municipalities have practically independence in such matters, the electorate having the power to demand any comforts and conveniences in streets that they desire and tax themselves to pay for. This might continue under Collectivism with the proviso that the regulations as to pay and hours of labour issued by the national wages board would have to be adhered to, and a guild instituted. This independence would prevent any friction arising between any city and the national transport guild, for it is conceivable that the latter, if it were responsible financially, that is to say, if it were acting impartially for both the citizens and the consumers of the city's exports, who would have to meet the expense, might not agree to every proposal or demand made by the city.

In the case of streets the amount of expenditure will depend in part on the cost of the materials at the place of origin and on the cost of transport, which will vary with the distance the materials must be carried. But the cost of transport, as we have seen, on all imports into any district ought to be imposed on the consumers of the goods produced there for export,

so that this item would not really be charged against the municipality. Therefore if any city were far removed from quarries or other sources of production, the inhabitants would not have the cost of living proportionately raised. The city being where it is for general economic purposes, such cost should be placed on the consumers of its products. That would not give it the right to bring stone or other materials from the other end of the country; stone of the requisite quality would have to be brought from the nearest producing centre. But who would safeguard the interests of the consumers of the city's products by seeing that this was done? In accordance with the constitution of the guilds as public trustees it would be the engineering departments of the guild concerned with streets and roads, which would be able to experiment with materials, and decide which was best for any given purpose.

There are other important reasons why the city should levy the expense in connection with the streets from its own inhabitants. The noiselessness, dustlessness, extent in proportion to population, and therefore the expensiveness of the streets, depend on the tastes of the citizens, both in their corporate capacity and as individuals. Streets can only be made of materials to reduce noise or dust, if all or the majority of the citizens, who have to pay for it, acquiesce in such street construction. Again, streets may be materially lengthened in proportion to the houses opening into them with an unusually great frontage; if self-contained and surrounded by gardens, they will require a greater streetage than tenement houses with no gardens. The expensiveness of streets therefore will vary with the prevailing tastes of the inhabitants of the different streets. It seems from this point of view that streets should not be constructed or maintained at the expense of the consumers of the city's products, who would, however, have to pay the carriage on the materials.

On the whole it seems reasonable to leave the streets of every city, town and village to local control and to raise the entire expenditure locally, with the exception of the cost of transport.

What would be the incidence of the local taxation for the construction and maintenance of the streets? The question will lead us perhaps into unexpected complexities, as indeed all ethical questions do in any complicated social system. With our present blunt ethical sensibility the simple method of imposing an overhead rate on rental seems quite satisfactory.

But in reality it is far from equitable. As we have hinted, the cost of streets varies with the frontage of the buildings and gardens, and therefore the tax should be fixed on that basis. If there were several separate houses or business establishments in the same tenement the tax as determined by the frontage should be apportioned in proportion to the space occupied by each. Besides the quantitative cost of the streets there is the qualitative. The citizen ratepayers as a body will through the municipal council fix the minimum standard to be insisted on throughout the city. But the ratepayers in any street ought to be permitted to have the street laid with any kind of material superior to the ordinary, either on account of its comparative noiselessness or dustlessness, on condition that they pay the extra expense.

But would all the taxation be assessed on the householders and on the business establishments? There seems good reason for collecting part of the expenditure on streets from the owners of vehicles. Let us work the problem out. In the first place none of the expenditure on side walks for passengers can reasonably be placed on any but the occupants of the street frontage. Therefore we have only to deal with the carriage way. This is constructed solely for vehicular traffic. The wear and tear of this part of the street is caused by such traffic. Therefore, the burden of the upkeep, including part of the original construction, ought from the ethical point of view to be imposed upon the owners of vehicles, with a small share on the proprietors of unusually large street frontage. It may be urged that the citizens are all interested in having streets of sufficient width and durability for the use of vehicular traffic. So they are, but in various degrees. Under Capitalism there are all sorts of businesses for private profit, whose heavy carts or motor lorries cut up all streets except such as are heavily paved. The damage done by these is such that, if streets are lightly constructed, they have to be frequently remade, or that a heavy initial expenditure must be incurred in constructing a carriage way of great durability. Lighter vehicles owned by other profit-making businesses also help to destroy the streets. Then there are the private carriages or motor cars belonging to the well-to-do. Public conveyances are also partly responsible. Under Collectivism there would be the same kinds of vehicles. It would be impossible to ascertain the exact distance run by each and the exact damage it does to the streets, but an approximation might be reached for each class, and the cost of the streets laid on all

vehicles in proportion to their distinctive character and function. If this were done, each citizen would pay in proportion to his use of the streets, for he would pay an enhanced price for all commodities in the production or delivery of which street transport entered. The goods would have their prices adjusted on an economic basis. If he used the public conveyances frequently or owned a private carriage, he would pay in due proportion. He would not have to be taxed for the extravagance of others, and the taxation on industrial vehicles would be passed on to the consumers of the goods carried. Much of the vehicular traffic under Collectivism would be as now in connection with the local export industries, and the damage to the streets done by it would be borne by these industries.

The streets being necessarily a corporate undertaking, the orders for their construction and maintenance would have to be left to the municipal council. But the construction would be left to the guild concerned, which, however, would have to do the work at the standard rates. The corporation would be entitled to guard against any overcharge or reject any work that was not done according to contract or did not reach the recognized standard.

The cleansing, watering and lighting of the streets would be similarly arranged for by the corporation, the cost being raised by taxation with the same incidence as the cost and maintenance. The work would be done by the guild of municipal workers, of which there would necessarily be a branch in every town. Rates of wages and standards of work would be fixed for the whole country; and all the council would have to do would be to decide what work was required, and appeal to the proper quarters if the cost or the quality was not according to standard, and so obtain redress. As we have said, the approach to such a system would have to be made cautiously and experimentally.

We have considered town and county councils under full-blown Collectivism. But what modifications of their present-day functions would be necessary in the transition period? They ought to play an important part in the collectivization of services, and will have to do so, if Collectivism is ever to be brought about. In the chapter on the Process of Collectivization their activities in the establishment of house property on an ethical basis will be described. Other services will, however, have to be dealt with by them. They will be called upon by their constituents to organize

many services for the benefit of their districts. Great economies could be effected in the retail distribution of the necessities of life and in the stoppage of profiteering, if organized municipally, only however if the distribution of any given commodity were taken entirely out of the hands of private retailers by a municipal organization. Moreover, only in this way would it be possible for private retailers to get compensation and employment, instead of being crushed out by the competition of a wealthy, well-organized corporation. Why should not municipalities be authorized by act of parliament to municipalize the distributive side of the economic life? Even now we have from many different quarters the demand for the municipalization of the distribution of certain essential commodities, such as coal, milk and bread. The Collectivist is in full agreement, and has in view an extension of such activities. But we must go surely and therefore slowly. We must keep in mind too that strenuous efforts will be made by certain interests to make such enterprises fail. One thing at a time is good business. It is the only way, in the beginning of the movement at all events, to ensure success. Town and county councils will have to be empowered by parliament, in the first stage, to organize the local distribution of one essential of life, and, if it should prove a success, to proceed similarly with another. A condition should be that by a plebiscite a majority of the municipal electors should declare themselves in favour of the proposal. Another condition should be that the capital required for the undertaking be raised through loans at the market rate of interest, preferably in small amounts from the citizens, and all accounts kept separate, a sinking fund being formed for the collectivization of the capital. A third condition ought to be that this distribution should be a local monopoly, that is, that all competition should be prohibited, and this for two reasons—the costliness of competition, and the justice of giving reasonable compensation to the firms and employment to the workers engaged in the retail business when taken over. It would be dangerous to the success of the undertaking if the management of it were left in the hands of the capitalist employers, who would doubtless feel aggrieved at being deprived of “their” business, even if well compensated and provided with well-paid employment. Therefore the organizing of this local distributive guild should devolve upon the ablest of their salaried managers and heads of departments, with the temporary co-operation of a small

committee of town councillors with perhaps co-opted members chosen from citizens experienced or interested in such work. A guild should be formed as far as possible on the lines already laid down ; it would become later a section of the national retailers' guild.

The proposal to retain all those employed in the business when it is taken over by the municipality opens up a large question, for an important part of the economy resulting from the organizing of an industry or service on a collectivist or co-operative basis lies in the reduction of the number of workers required for the work. But it would be contrary both to principle and expediency for Collectivists to throw out of employment men and women whose assistance has been found superfluous owing to the introduction of labour-saving methods and organization. If industry in general were properly organized, work could be got for them very soon elsewhere, and they could then be discharged. Under present circumstances they would have to be retained until openings were got for them. The full benefit of the co-operative system would not be felt by the consumers at once, but it would soon tell. It would be undesirable to have so many workers that they could not be kept busy at the normal pressure, as it would result in a slackening of the moral fibre, and in slow, slovenly, careless work. It would pay to pension off many of the oldest. Vacancies in other municipal departments might be filled by others. No new employees would be engaged when vacancies occurred through death or resignation. Other local industries might be encouraged to engage some when openings rendered it possible. Employment generally would not decrease, for spending power would be directed into other channels, if the price of the newly municipalized services were reduced, for there would be other economies than that of labour. But even if all this were done, there might still be too many workers, and consequently all the labour would have to be so organized that the number of workers on duty during any given time would be just sufficient to do the work efficiently, and at normal speed. This would mean the reduction of working time for the whole staff, and this reduction might be arranged in a way agreeable to all, either by a shorter day if it could be arranged without detriment to the interests of the public, or by a periodical holiday or holidays. There would be no reduction of pay. But it would have to be clearly understood that the arrangement was due only to the abnormal situation, and that the normal working time would be gradually reverted

to as the number of employees was reduced to the number strictly necessary. It might be possible, however, to utilize the labour of the employees to the full by employing them on other work which would benefit the local community ; every endeavour should be made to do this, and if any employee refused to do the work, he would have to leave the guild.

Other economies would be effected, especially in stores, offices and other buildings, and in all kinds of working plant, also in buying. Assistance in buying up the service, that is, in giving compensation, ought to be got from the assessment made by the government for such purposes, as explained in the chapter on the Process of Collectivization. Interest also is appreciably lower on money borrowed by a public body than on that borrowed by private firms or persons. After this interest was paid, depreciation and other charges allowed for, and the sinking fund contributed to, the profit would be used to reduce prices. There would therefore be no profiteering as under private enterprise, and no temptation to cheat the consumer by palming off inferior goods or services. It would be essential, however, to guarantee the standard of quality, and to have a district municipal department to receive and inquire into complaints from consumers, and to have the grievances removed, if reasonable. The municipal council, as we have seen, would have to constitute itself the guardian of the public interest in such matters, and, as we have said, it would be desirable to have in every district or parish a sort of sub-council which would discuss all local public affairs including the conduct of municipal undertakings. Grievances could be ventilated, and collective action taken and brought to bear on the municipal council. These sub-councils, as we have said, would be the stepping stones to what is called municipal and parliamentary honours, and it would be largely through them that the citizens would learn the quality of their contemporaries and their fitness for public work—which is the great desideratum in a democratic system, and which is wanting in the present one.

CHAPTER X

NATIONAL GOVERNMENT

THE functions of National Government in relation to economic affairs is the subject to which we must now turn. The collectivist economic system will necessarily differentiate collectivist from capitalist government, and have far-reaching effects on all functions of government as well as on its form and constitution. It is a large subject which calls for long and careful study, and it were well that such study should be given to it while there is yet time, for events may come crowding on and find the people and their leaders unprepared. A collectivist government would have to carry out the dictates of the electors in many matters beyond the economic region. Its actions would simply portray the political views of the country whatever they might be, progressive or backward. But with general political principles we cannot deal now. We must confine ourselves to the powers and the functions of the collectivist government in relation to economic arrangements.

Keeping in mind the main characteristics of the collectivist economic system, industrial capital as national property held in trust and managed by guilds, each composed of all the workers engaged in any one industry, let us consider the relations of the government to such guilds. The guilds naturally could not be allowed to do as they pleased with the national property employed in their respective industries, nor to make any charge they chose for their products. The government as representing the whole nation would have to grant to each guild a charter in which would be detailed the conditions on which it was to hold and manage its industrial capital and do the work required of it. Objections have been raised by Guild Socialists to any legislative or governmental body or bodies elected on a geographical basis dealing with such matters, and proposals have been made for the establishment of the Soviet system of vocational representation. Some would have all these economic affairs regulated by a body composed of the representatives of the various industrial and

other vocational groups. But there is little to be said in favour of this arrangement. A congress of producing groups or guilds, which would legislate on the relations between individual guilds and the general body of consumers, and between one kind of producers and another, would provide opportunities for the collusion of the representatives of certain large guilds for the purpose of obtaining privileges for their guilds at the expense of other guilds or of consumers. Moreover, the interests of all the representatives and their constituents as producers would outweigh their interests as consumers. The benefits accruing to them as producers would be substantial, immediate, and direct; the boomerang injury would not be apparent; while the loss or injury to others would perhaps be disregarded. What a legislative body under Collectivism would have to deal with would be mainly the ethical side of economic arrangements. But questions of ethical relations cannot be impartially and dispassionately settled by the parties closely interested, and still less so by only one of the parties. In short, although the members of the guilds would be consumers as well as producers, in guild business their interests as producers would predominate and eclipse their interests as consumers.

On the other hand, a legislative and governing body elected on the geographical basis would be elected in the general interest. All electors are consumers, and the consumers' interest is the general interest; but they are also producers, and since they would not vote as members of a guild for one of their own body, they would be mindful only of the *general* interest of the producers, which is what is desired, and not of the particular interests of their guild.

The same objection would hold good against the proposal to have two legislative bodies, one on the geographical basis and one on the vocational, sitting together and legislating jointly when any legislation affecting the guilds was proposed. Naturally, with the geographical elective system, parliament before legislating would obtain the views of the guild or guilds concerned, and give due deliberation to them.

A governmental body representing not guilds and vocational interests but the whole community and the general interest would grant a charter to every guild, and would when necessary modify it by legislative acts. The charter would not deal with the traditional technical processes, which the guild itself would have to carry out, and if possible improve; these would be left entirely to the guild's experts, who would

be held responsible for the maintenance of the standard of production, and would be expected to show a ready adaptability to new requirements. But the charter would deal with the relations between the guild and the community, and with those between guilds and between the individual members of the guild; in short, it would deal with ethical relations chiefly. For instance, the proper way of maintaining buildings, machinery, and other kinds of capital necessary for the industry, would be left to the technical experts; and the processes of production would not be interfered with; but the selling price of the products would have to be determined according to the rules laid down in the charter. The guild might arrange its methods of work, but the charter would contain regulations for the protection of individual workers, and the payment of labour would be made according to well-considered and clearly defined general rules, and consumers safeguarded against inefficient work. All such interference would be on ethical grounds alone.

Let us try to detail the salient points of a guild charter. It would first be necessary to define the branches of industry to be included in the guild, and to give authority to the guild to make any extensions or changes necessary for improved and cheaper production. The various guild boards and managing bodies, their functions and powers, and the method of appointing the responsible officials would have to be fixed. The central guild board composed of the chief executive officers, would be held responsible by the government for the management of the industry, and would be linked up with the government by a government board or ministry, which might supervise more than one guild. This ministry would have its own auditors and inspectors, whose duty it would be to see that the guild was observing its legal duties. The central guild board would be authorized to establish district boards when the areas were too wide for all the management to be done from one centre. It would also be authorized to issue bye-laws and regulations to the managers of its productive units for the proper conduct of the business, but these would require to be in accordance with the regulations laid down in the charter, and with the law of the land. Other regulations dealing with the control of the management over the workers would be included in the charter.

The charter would provide for the establishment of institutions for the protection of the interests of the workers of all kinds engaged in the industry. It would establish a works

guild court for each productive unit and a works branch of a vocational or craft union for each of the crafts or professions employed there. It would also establish district guild courts and district vocational councils, as well as a national court for each guild which would represent all the workers of the guild and look after the interests they had in common, the individual crafts and professions in all industries being authorized to have likewise their national councils for the safeguarding of their special interests. The functions and rights of these unions and courts, local and national, would be defined, as well as the procedure to be followed in their dealings with the guild management, local or national, in connection with complaints or proposals regarding the treatment of the workers, or the management of the business.

The present numerous statutory and customary regulations instituted for the protection of the health and life of the workers would be carried forward into the charter. The method of deciding the hours of work and other conditions of labour, and the relations between the guild and the national board of employment would have to be determined. Similarly, the principles of the payment of labour would have to be stated, and the extent of control exercised by the national wages board defined. The guild's relations with the national bank regarding currency advances and repayments, its method of accounting and costing, as well as other duties and obligations would have to be formulated.

Very important would be those sections of the charter laying down the principles according to which the consumers' requirements would be met and charged for. For the protection of consumers, attention would have to be given to the rules for calculating the prices of commodities and services, and these would have to be stated in the charter. The legitimate constituents of price would have to be mentioned, and the method of averaging the varying costs of production of the various productive units and of comparing these and detecting defects, as well as the method of securing the equitable distribution of economic rent, would have to be described and enjoined. A minimum standard of quality and a maximum price would have to be fixed for each commodity and any retrogressive movement would have to receive the immediate attention of government, which would have to take action.

The greater part of every guild charter would contain enactments common to all guild charters, and perhaps passed

by special act of parliament, but each charter would have to be considered by parliament and passed by special act.

Public bodies having any kind of control over the guilds, such as the national wages board and the employment board, as well as the new functions of town and county councils, would require to be established also by act of parliament. The State would also have to adjudicate on many questions between guilds and between local public bodies and guilds. For instance, applications from municipalities for the extension of building land at the expense of agriculture would have to receive attention, as we shall see later. Again, cases such as the following would have to be settled: guilds proposing to transfer their works from one district to another would have to apply to the State for permission; and there would have to be considered the effects of the change, such as increase of rates and transport expenses on the other industries in the districts they desired to forsake, and the views of the workers who would have to follow the works, as well as the available building space that could be afforded in the other districts.

Among other economic functions of government and parliament would be taxation for public services, insurance and pensions, as well as the arrangement of commercial treaties and the control of international economic relations.

We have considered in a very perfunctory way some of the economic duties of a collectivist government. They are onerous and numerous. But it must be kept in mind that in the present system the time of parliament is largely taken up discussing and passing innumerable bills that deal in a hotchpotch way with all sorts of disputes between labour and capital, with endeavours to render the evils of capitalism less injurious, and with numerous communistic schemes which place many industries on an uneconomic and inequitable basis. All this ineffective, interminable, Sisyphean labour will disappear, and with definite economic and ethical principles to guide it, parliament will find its work easy and of permanent value.

We have still to deal with the functions and powers of a national government in economic matters when two or more collectivist countries internationalize their industries. It is very probable that all independent collectivist countries will have practically similar economic institutions, for collectivist institutions will likely be contemporaneously evolved in various countries; the peoples and governments of these countries will compare notes, and the most excellent methods will generally in the end be adopted by all. Therefore the

principles on which the economic life of independent collectivist states will be organized will most likely be the same, and their institutions very similar. If then the economic institutions of independent collectivist states were internationalized, there would be but slight re-arrangement required to conduct all their economic affairs in common on exactly the same lines. It would be necessary to conduct them on the same lines, because it would be necessary to treat labour, maintain the quantity and quality of output, and calculate the prices in the same way in all countries that had internationalized capital. But any changes requiring legislative enactment would have to receive the sanction of the respective national governments, unless an international or super-government were appointed to deal with economic and perhaps other affairs. The usual argument for having national governments rather than imperial governments is that the former are more under the control of the electorate. The natural reply is that imperial governments are more likely to regard local and national disputes dispassionately and to govern impartially. After all, the principles of economic and political justice, according to which governments ought to administer and legislate, are of universal application; and it would have been better for the world if efforts had been made to perfect our knowledge of these principles and practice them, instead of seeking for better conditions merely through the establishment of small autonomous nationalities with their bitter internal dissensions and external troubles due, as it has been well said, to pseudo-patriotic pride, jealousy and self-assertion. Democracy is too often thought of as merely majority rule, but this, in the absence of the general knowledge of the principles of social justice, is as likely to be inimical to social well-being as any despotism.

If Collectivism is ever to become international, national economic control will have to be superseded by international control, not so much in the usually accepted sense of governmental control as in the sense of international economic clearance work, which would give little occasion for national irritation.

If two collectivist states should desire to internationalize their economic life, their respective guild boards would have to arrange to strike prices for commodities and services, prices being the same, of course, over the two countries. For instance, each of the two national agricultural guilds would bring forward the figures of its output and the cost of

production of its various products. In the one (A) the output of wheat might be 1,000, the cost of production 9,000, and therefore the price 9, while in the other (B) the output might be 500, cost 3,000, and price 6. To strike the price that would prevail everywhere in the two countries would be a simple matter. The total output would be 1,500, cost 12,000, and price 8. At once the question arises, would there not be considerable reluctance on the part of B to submit to the arrangement, which would increase the price of its wheat by one-third. But the same result is submitted to under Capitalism. In our present commercial system there is a world-price for all commodities, and any natural or economic advantage is not enjoyed by the consumers in any country, but by the owners of the land and capital. This is economic rent, and it is appropriated by the holders of the means of production concerned. But every collectivist country would appropriate the economic rent, and all the consumers in the country would benefit. The fact remains, however, that the cost of living in one collectivist country might be less than that in another, owing to the economic advantages of richer land, better climate, or easier access to the markets of the world, or to superiority of management, shown either in quantity or quality or both. The economic advantages of rich land and good climate place the country in a position to enjoy economic rent to the exclusion of the rest of mankind. Would such a fortunate country after it has adopted internal or home collectivism be altruistic enough to share the advantages of its natural conditions with the less fortunate countries? If it did not, it would not be true to collectivist principles; there is no other course that can be morally justified. On the other hand, the results of the superior working ability of individuals or countries ought not to be so shared. The result of all remediable inferiority of the individual must be borne by himself, and not by the consumers; and similarly in the case of nations. The methods of work, of workshop management, and of many other economic affairs might differ greatly in the two countries; but it would be the industrial productivity that would be considered, and ineffective methods would have to be abandoned, or the return to those who used them would be in strict relation to the inferior output.

In all other departments of national life, there is no reason why each state in the collectivist union should not preserve its autonomy.

CHAPTER XI

THE PROCESS OF COLLECTIVIZATION

IN the transition from Capitalism to Collectivism it is essential that nothing should be done to disturb economic stability—such as it is. In the vital interest of the community the economic life must be conserved through all changes from the one system to the other. No violence must be used, nor any kind of action taken that leads to paralysis of production or distribution ; it is the first duty of every government to prevent this, and to preserve law and order. As the example of Russia shows, it would be infinitely better to endure the evils of the present system than, by a dictatorship of any kind, to compel the majority to conform to a system which they do not understand and are therefore unfit to make a success of. Blank ruin lies that way. The best must be made of the present system while the transition is in progress, and every change in the direction of Collectivism must only be made after the most careful consideration. All that collectivists can do is to try to show the way, and trust that the people will realise the seriousness of the situation, and set their minds to study it. Unfortunately, too little of the best intelligence is concentrated on the grave problems that press for solution ; the vast proportion of it is directed into other channels where it produces too little of real social value in present circumstances.

The primary objects of Collectivism, baldly stated, are to prevent the exploitation of the workers, that is, the extraction of rent, interest and profit out of the proceeds of their labour ; to provide by organization employment for all the able-bodied, with equitable remuneration ; and to secure support for all those who are unfit for work. In other words, the aim is to secure for everyone a just material basis, upon which may be super-imposed the higher intellectual and emotional life. This can only be done, it cannot be too often repeated, by having all industrial capital held as public property, and industry efficiently organized. When industrial capital is

owned privately, the workers have to submit to long spells of short time and unemployment in consequence of periodical or chronic bad trade, and to losses resulting from strikes (generally the only weapon available) against reduction of their standard of living; and they have also to provide rent, interest and profit for the use of others.

This exploitation is condemned outright by abstract ethics; but in the present system conduct is necessarily regulated by relative ethics, and severe condemnation cannot be passed on all owners of capital, because the only way under Capitalism to secure a living during unemployment, in sickness, and in old age, and to provide for one's dependants in case of death, is to have savings or capital to fall back upon. Unemployment allowances and old age pensions are not sufficient in amount at present, and for a very large portion of the population are unavailable. Therefore the instinct of self-preservation compels and justifies them, especially the holders of small capitals, in taking the usual return on capital. In an individualist system every family is entitled to retain permanently sufficient capital for all contingencies against which insufficient or no insurance is provided by the State. It is simply a way of securing what is rightfully due to them by the State.

In nationalizing an industry, then, ought compensation to be given to the holders of the capital, and ought all holders to be treated in the same way? These are difficult questions to answer. The present economic system has no moral basis. It is a scramble for a living, with the vast majority heavily handicapped. It cannot be moralized and organized at word of command. Progress in that direction will necessarily be slow; nationalization of one industry at a time is probably all that can safely be undertaken, at least at the beginning, although, be it remembered, the full advantages of nationalization cannot be obtained in any industry, when one or only a few are nationalized. The holders of capital are not to blame for the present immoral economic system. All, capitalists and non-capitalists, have been born into it, and have had experience of no other. Some capitalists may have large holdings, and may have inherited them, or acquired them by underpaying their employees and overcharging their customers; others may have small holdings, and may have worked hard and denied themselves many comforts, in order to have something for themselves and their families against a rainy day. On the other hand, many of those who have no

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capital may have never made any effort to save, but may have spent everything recklessly; while others may have had too low wages, or too many misfortunes, to allow them to save. Among capitalists and non-capitalists there are both the deserving and the undeserving. It would be impossible, however, in order to mete out justice, to consider who are deserving and who are not. Some capitalists may have acquired their capital illegitimately, that is, by exploiting the workers, and others may have saved it out of honest earnings. It would be impossible to ascertain the facts. However, the greater part of all large capitals may be considered as having no ethical justification, and all rent, interest and profit as being in the same position.

In the transition period only very rough justice can be achieved—and on the basis of expediency. What will actually be done will be the resultant of numerous forces, and is consequently quite unpredictable. Many suggestions and proposals will be made, and at any given time the ultimate result will be a compromise. But several objects should be aimed at in the actual process of collectivization: maintenance of economic stability; immediate economic advantage to the community, not only from the economies resulting from efficient organization, but from the abolition of rent, interest and profit in the collectivized industries; no penalizing of the capital-holders of any industry by collectivization, that is, no placing them in a worse position than other capitalists undisturbed by collectivization; and lenient treatment of all holders of small capitals. Moreover, as a precautionary measure against failure, too much should not be attempted at once. To begin with, one large scheme of collectivization is sufficient at a time. Every effort should be exerted to make it a success; and above all the most careful observation and criticism must be exercised to prevent it from being made a failure by those who are interested in discrediting Collectivism. Piecemeal collectivization is the only kind that man's present powers of reconstruction are fit to deal with.

The difficulties that arise round the question of compensation are by no means insignificant. The transference of the ownership of the capital of any industry from the private holders to the State could be effected in several ways: simple confiscation, that is, without compensation; compensation at full market rates; compensation at some rate between these extremes. Again, compensation might be given at the

expense of the whole capitalist class, or of the consumers, or both classes.

Confiscation would be unfair, for it would hit with equal indifference small working-class holders and wealthy capitalists, besides discriminating between the holders of the capital in the nationalized industry and the holders of the other capital. Compensation, therefore, is called for. It seems equitable that, when any industrial properties are taken over, the expropriated owners should receive full compensation—from whom we shall see presently. The aim should be to avoid placing them in a worse position than other capitalists; therefore they should receive the full market value of their property. In the case of the great public joint-stock companies this would not be the actual market price of the stock at any given time, because over a number of years this market value is subject to great fluctuations, due often to speculation affecting a comparatively small quantity of stock, sometimes to the compulsory sale of large blocks of stock, and sometimes to heavy buying during periods of cheap money. As a rule the great body of stock-holders owning the main portion of the stock sit tight, and take the lean years with the good. The fairest way of estimating the value of any denomination of stocks and shares would be to take the average price over a number of years before the date when, in view of nationalization proposals or prospects, speculative dealing began. But if there was found to be reasonable ground for belief that the latest prices during the period—if exceptionally low—represented the actual and prospective value, it would not be unfair to appraise the shares at that value, although a collectivist moralist might hold that between capitalist and capitalist such misfortunes should not be borne by the individual capitalists affected. The manner in which such a question would be regarded would depend very much on the source from which the compensation was drawn.

With regard to the source or sources from which compensation is to be derived, it must be kept in mind that all large capitals, and all rent, interest and profit are ethically unjustifiable. Therefore from these sources ought to come the compensation, in whole or in principal part. Compensation could not be paid out of the industry's profits alone, for they would be almost entirely absorbed by the interest on the bonds granted to the expropriated owners and payable until the bonds were redeemed. The question is therefore what proportion, if any, should be paid out of these profits and what

out of the unjustifiable capital and income of the capitalist class. It seems reasonable that the interest on the bonds granted to the expropriated shareholders in payment for their property should not be paid out of the profits of the industry, but out of the unearned income of the whole capitalist class. It would indeed be quite just for the State to appropriate all rent, interest, and profit, but it would not be expedient. It would, however, be both expedient and just to stop payment of it out of the nationalized industry, and to levy the interest on the unredeemed bonds from the ethically unjustifiable income of the whole capitalist class (with exception or abatement for small incomes), thus avoiding the penalizing of any section of it.

This would leave all the profits of the industry available either (1) to redeem the bonds, or (2) reduce the prices of the goods produced in the industry, or (3) increase the wages of their producers. It would be inadvisable to take the last course (unless the national wages board decided that wages in the industry in comparison with the general standard were too low and should be increased) as the increase of wages would have the very grave defect of upsetting the relative value of labour in different crafts and industries, which is undesirable in itself from the ethical point of view, and would create discord in the labour world by placing a section of the workers in a privileged position. The first course should also be avoided, as it would relieve the capitalist class from making its legitimate contribution towards the redemption of the addition to the National Debt. The second should be adopted because it would let the greater number derive benefit from nationalization. If among the consumers there were industrial or commercial firms, the reduction of prices, it may be argued, would simply mean increased profits, and this no doubt would be partly the case, but it would also reduce prices, increase business, and therefore employment, and in the case of foreign trade would give these firms a great advantage in their competition with their rivals, from which the whole country would benefit.

It may be said that part at least of the profits should be used for compensation; probably a large section of the people will long feel reluctance to commit themselves to anything resembling "confiscation" of the legalized, although morally illegitimate, property of capitalists held either individually or corporately. To reconcile such people some compromise may be required, and the question arises what ought to be the

relative proportions from the taxation of the capitalist class and from the profits got from the consumers in the price of the goods? In this matter there can hardly be said to be any principle to guide us. We are trying to end an immoral economic system, and to treat those who have profited by it as fairly as possible. But whatever is done for them over and above refunding them their possible savings out of honest earnings, let it be understood, is *ex gratiâ* and generous. The main object is to avoid making the transition too abrupt, so that economic disturbances may not injure the general well-being. But there is also the necessity of gaining the support of that section of the public still obsessed with old and erroneous ideas of economic morality. It would be quite legitimate from the ethical point of view to raise all compensation from the capitalist class alone either by a general capital levy or by increase of their income tax.

Whatever proportion for paying off the bonds was raised from the capitalist class, it would be preferable to raise it by a capital levy, while the interest on the unredeemed bonds should be raised by income tax. The capital levy, which was recently for a short time advocated by many financiers and capitalist politicians for the reduction of the national debt, is necessary in nationalization in order to secure justice between capitalist and capitalist. If nationalization were carried out by degrees, and compensation not paid out of a capital levy, but out of a special income tax on capitalists, those capitalists who were expropriated first would have a legitimate grievance, for although they would receive their capital, there would be no investment for it, except in the stocks and shares that the other capitalists might agree to sell, only, however, at enhanced prices. Those capitalists whose businesses were still private property would be reaping a golden harvest until their turn came, and the capital value of their property would be continuously rising. This unequal treatment would be prevented by the operation of the capital levy, for in this way the capital levied would be thrown on the market for sale, in equal amount to the compensation paid for the capital expropriated; and prices would thus be prevented from rising. The bonds to be redeemed at a certain date would be discounted by the banks, and the proceeds would be available for the purchase of the stocks and shares that would have to be sold to meet the capital levy. The capital levy ought, of course, to be so graduated that the holders of small capitals would pay little or be allowed exemption.

Unfortunately, though suitable in the case of capital in the form of stocks and shares in public companies, there is difficulty in applying it to private businesses. But this difficulty is not insurmountable, and it is said that the former section, viz., loan stock or other negotiable share securities, forms 84 per cent. of the whole.

But if public opinion were in favour of paying part compensation out of profits, a very substantial portion ought to be reserved for the reduction of prices. Since investments in that case would not be released by means of the capital levy, it would be justifiable to increase the compensation at the expense of the general capitalist class by taxation of income in order to cover the enhanced price of investments.

One point, however, must be insisted on in the case of consumers providing compensation. The sum to be paid by consumers must not exceed the real value of the property when nationalized, that is to say, what it would cost to erect and fully equip equally productive works and accessories, with deduction of the real depreciation of the actual property. In the case of industrial undertakings dividends are paid not only on the material productive capital, but on the total capital invested in establishing them. For instance, the London and Brighton Railway, we are told, paid £8,000 per mile for land and £3,000 per mile for parliamentary expenses. If none of that part of the original capital has been written off, dividends must be paid on it. Consequently the market value of the railway thus exceeds the real value of the material capital, i.e., the cost of replacing it at contemporary prices, less deduction of its actual depreciation, plus the agricultural value of the land. If this real value of material capital be all that the State is entitled to raise from the consumers or users of the railway, the difference between it and the average market value of the stocks and shares would have to be collected from the capitalist class. Again, land and other natural agents cannot be admitted to be legitimate private property; therefore when nationalized they should not be paid for by the consumers; the whole capitalist class should alone afford the compensation. Neither should minerals *in situ* be considered as property for which the community should pay. On the other hand, works might, in the case of the contemplated compromise, be paid for in part by the consumers. The land in its natural state ought not to be bought at the consumers' expense, but all buildings and machinery and other capital necessary for its exploitation,

and invested in it for that purpose, might. This would apply not only to agricultural land, commonly so-called, but to woods and forests, except deer forests (which are not forests at all). Moorland, waste lands, and hill pastures must be considered as land in its natural state.

These proposals may be tabulated thus :

In the case of compromise as to compensation in the collectivization of land and industrial capital,

the State to receive from the Capitalist Class

(a) Interest on Bonds until redeemed (drawn from Income Tax),

(b) Difference between average market value of capital and real value of property (from Capital Levy),

(c) Value of Land (from Capital Levy),

(d) Value of Mineral Rights (from Capital Levy) ;

the State to receive partly from Consumers and partly from the Capitalist Class

(b) Real value of Property (from Profits and the Capital Levy),

(e) Value of Capital invested in working the land and the mines (from Profits and the Capital Levy) :

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the State to pay to expropriated Shareholders

(a) Interest on Bonds until redeemed,

(b) Average Market Value of Capital ;

the State to pay to expropriated Landowners

(a) Interest on Bonds until redeemed,

(c) Value of Land,

(e) Value of Capital invested in working the land,

(d) Value of Mineral Rights.

All this trouble would be taken solely in order to secure justice between capitalist and capitalist, and this is perhaps a quixotically generous undertaking, for under the competitive system capitalists in their dealings with others, even fellow-capitalists, have little regard for that cardinal virtue, justice, and view with little sympathy the misfortunes of those who fail in the struggle. Certainly the easiest way would be to make no strenuous effort to spread the losses of individual capitalists over the whole capitalist class—and if this class will not assist in bringing about a saner economic system, that effort will probably not be made—but simply to fix a sum which a person could in favourable circumstances have saved at the age of the expropriated capitalist out of honest earnings,

and allow full compensation for that only. In this case the capitalist would receive neither capital nor interest, but merely the sum he might have saved out of honest earnings. This, however, would not be desirable in the interests of economic stability.

These are, I take it, the broad principles of transfer and compensation in the collectivization of industrial capital.

The nationalization of dwelling houses requires separate consideration. I do not think it has ever received attention from collectivists, and yet it is of special importance. House property differs from industrial property in being peculiarly suitable for private possession, while the latter must necessarily be held in common, or, more definitely and correctly, as public property in trust for those who require and use it. House property is entirely for private use, and in order to give satisfaction and pleasure to its user, must be situated, designed, built and decorated to suit his requirements and tastes, restricted, of course, by the regulations necessary for preserving the rights of others and the amenity of the district. From the point of view of economy, too, private property in houses is desirable, as few people are as careful of the property of others as of their own. This opens up the question of the ethics of the transfer of dwelling houses from the ownership of persons who hold that necessary of life simply as a means of obtaining an unearned income, to the ownership of those who have hitherto had to provide this unearned income by paying rent, forced thereto, in most cases, by the fact that they have never received sufficient payment for their labour to enable them to purchase a house, and the other fact that the rent itself has been so considerable an item in their expenditure as to further cripple them. This rent represents a very large proportion of the working man's expenditure. He really pays for the building of the house in instalments represented by that portion of the rent which is actually for depreciation, and in addition he provides the owner with the net profit on the capital involved, as well as the land rent to the landowner. These contributions to the unearned income of the houseowner and the landowner prevent the workman in ordinary circumstances from ever being in the position to acquire the ownership of a dwelling house. This tremendous drain on his resources is condemned by the moral law, and cannot long continue, as we may conclude from the ever-recurring threat of a no-rent campaign. Just as much as the

so-called working man, the lower middle class man is interested in aiming at the stoppage of this very serious form of exploitation.

It is, of course, impossible to foretell how the change will actually be made, but we must, as in the case of every proposed economic change, try to think out a way of bringing it about without causing a stoppage, or too much disturbance, in the economic life of the nation. There will doubtless arrive a time when the demand will be made, and insisted on, for the cessation of exploitation through the ownership of dwelling houses; and as it will appeal with great force to the vast majority of the people, perhaps this will happen before many, or even any, industries are nationalized, that is to say, at an early stage of the economic revolution; in fact, we have seen during the War, how the owners of house property were so much more severely dealt with than other exploiters. As the process of nationalizing house property presents difficulties that are absent in the nationalization of other kinds of property, it is all the more necessary to have the plans carefully thought out and agreed upon beforehand, a precaution which ought never to be neglected when any economic change is contemplated.

Ought all dwelling houses to be private property? Or ought the municipalities and county councils to provide houses to be let to those who do not wish to be bound down to one town or district, as they might fear they would be, if they were to buy a house? Under Collectivism life would become more settled; people would not be forced to be nomadic, as they often are at present; and consequently they would be glad to have houses of their own, suited to their tastes and requirements; besides, every facility would be provided for the sale and the purchase of houses in the interest of the few who would wish a change of residence. But there seems no reason why each municipality should not own some houses and rent them to such people. There would probably be a demand for communally owned houses in the early stages of Collectivism, but it would likely decline rapidly, and it should certainly be discouraged. The municipalities would use the rents to pay for the property and maintain it in good order and to keep up the required supply of such houses. This would be a comparatively expensive form of house-keeping. But there would be no profitmaking in it, no unearned income made out of it. Unless an addition to the rent charge were made, any increase in the number of such

houses would be possible only if there were a sufficient desire to save on the part of the people, and if the importance of this form of investment were greater than that of others also claiming advances from the State Bank.

Technically the term "nationalization" does not seem a fitting one to apply to the system of house property under Collectivism, since only a very small percentage of the houses would be communally owned. But the usage is quite justified when applied to the transition period from capitalist ownership to private ownership, for during that period the State through the local government bodies would have to carry the transfer through and hold a lien on the property. The transfer and administration of the property would have to be undertaken by the local government bodies acting for the national government, or rather would be supervised by them, because a department or guild would have to attend to the transfer of the houses sold, and to the management and maintenance of the communally owned houses.

But before considering the process of transfer, let us see on what terms the houses ought to be transferred. In the first place, a dwelling house occupied by its owner does not fall to be "nationalized," although, as we shall see, the economic rent must be nationalized, or more correctly, municipalized, and the owner would be entitled to have the landowner bought out on the same terms as the purchaser of a nationalized house. Further, except in the case of a dearth of houses, and the consequent necessity of "rationing" them, there seems no reason to deal with a person's country house or cottage, if, for the periods when the owner does not actually reside in it, it is not let for a sum representing more than the depreciation. But this is a matter of slight importance, for nobody is likely to pay more, when houses are nationalized, unless they receive special advantages. With regard to the houses to be sold, the purchasers would undertake to make a limited number of payments, which ought not to be compulsorily greater than the former net rent, and these would cease when they equalled the total purchase price.

The purchase price, which would have to be ascertained by public competitive sale, would include the actual or real value of the house (that is to say, the sum for which the house could be built, less the sum representing its real depreciation based on the actual condition and durability of the building) and the value of the land on which it was built and which was attached to it. This land value would include the economic rent

capitalized. Some districts and some sites are more desirable than others, and the price in excess of that of the least desirable is capitalized economic rent. The land value would vary with the extent of the ground on which the house stands or which is attached to it. A large garden is naturally of greater value than a share of a back green. The price paid for land would be what was paid over and above the "real" value of the house, i.e., cost of building less depreciation; part of the price of the land would be capitalized ground rent, varying with the extent of the land; and part of it true economic rent capitalized. The latter sum would be earmarked for improving the crowded and undesirable districts, for opening them up by clearances of houses, for providing open spaces, and improving and beautifying those districts on the margin of habitation, and for these purposes alone. The difficulty would be to distinguish the capitalized economic rent, which is to be used for improving the less desirable districts, from the value of the land according to extent and apart from special advantages. But this does not seem necessary, as the whole price of the land would be most legitimately applied in improving the least desirable districts.

But will cities, towns, and villages have unlimited power to annex cultivated land for building sites? The answer must evidently be in the negative. Permission from the State would have to be got, and it could only be given after careful inquiry into the relative urgency of the country's needs for agricultural produce and building room. Clearly, the productive capacity of the land required for the sustenance of the population is of first necessity, and can the less be encroached upon the more the population increases. The way out of the difficulty would be to build high, and abolish self-contained houses, and gardens—not a pleasant prospect. What must be considered is the needs of the people. It is not a question of pecuniary compensation to the agricultural guild. If it were decided that land was required for building rather than for agriculture, no compensation ought to be given to the guild except for buildings and unexhausted improvements; and the municipality would receive the price from the persons who bought it for house building, and would use it to improve the worst districts within their boundaries. As the curtailment of agricultural production would entail increase of imports, there would be a good reason for refusing the application of the municipalities, if the necessary assured increase of foreign trade were impossible or difficult.

When the sale of a house was effected, the guild would register the buyer or owner, conditionally on his completing the periodical payments agreed upon, and it would hold a lien on the property for the debt, but no interest would accrue against him on the unredeemed debt. The guild would at the same time issue interest-bearing bonds to the expropriated owners of the house and the land to the extent of the compensation due. The interest on these bonds would be derived, as in the case of those granted for nationalized industrial property, from the special income tax on unearned income, because if only house property, or in addition only a few industries were nationalized, the house-owners and the owners of the built-upon land would be entitled to be treated no worse than capitalists whose property had not been nationalized, and therefore would have to be compensated for the loss of their unearned income by having the loss distributed over the whole of their class. As far as possible, the tax would be levied just in time to pay the interest on the unredeemed bonds. As fast as the tax was collected and paid over to the guild, it must be used to pay the interest of the unredeemed debt, for the money must be passed into circulation in order to keep the wheels of industry going round.

The bonds would have to be redeemed by periodical payments. The guild would do this out of the price got from the purchaser and out of its share of the capital levy on the capitalist class. The payments of the purchaser would be the instalments of a sum equal to the "real" value of the house, the capitalized fixed groundrent or feuduty at agricultural value, or the equivalent in the case of freehold property, and the capitalized economic rent. The last two items it would retain for improving the less desirable districts. The first item would be transferred ultimately to the expropriated houseowner. From the capital levy it would redeem the bonds for the agricultural value of the land and the capitalized economic rent. The receipt and division of the moneys may be shown thus :—

The Municipality or the Guild would receive from the Purchaser in the competitive purchase price :

- (a) Real Value of the House,
- (b) Agricultural Value of the Land,
- (c) Capitalized Economic Rent ;

and from the Capitalist Class :

- (d) Capital Levy to compensate Owners of Economic Rent,
- (e) Income Tax for Interest on unredeemed Bonds,

(f) Agricultural Value of the Land.

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The Municipality or the Guild would pay out to the expropriated House Owner :

(a) Real Value of the House,
(e) Interest on unredeemed Bonds ;
and to the expropriated Landowner (who may also be the House Owner) :

(f) Agricultural Value of the Land,
(d) Capitalized Economic Rent from Capital Levy,
(e) Interest on unredeemed Bonds ;
and for Improvement of less desirable districts :
(c) Capitalized Economic Rent from Purchaser,
(b) Agricultural Value of the Land from Purchaser.

The bonds given to expropriated capitalists would be equal in value to their nationalized property. We have advocated that in the case of the house owner this value should be the "real" value of the buildings, and in his capacity as landowner the capitalized economic rent, which together would be his capitalized net income. In the case of the landowner, who feued or let the land, the value would be the capitalized fixed ground rent. In the case of freeholds, and in cases in which the fixed ground rent or feuduty was nominal, or less than the current value of the adjacent land, the capitalist owner is not only a houseowner but a land owner, and is entitled to compensation for both house and land.

Owners of house property which they themselves occupy would have to buy the land attached to it, by instalments, without being chargeable for interest on the unredeemed portion. The guild would, of course, be entitled to receive the capitalized economic rent and agricultural rent, just as in the case of "nationalized" houses. In such cases it could be estimated from the figures got from the adjoining properties.

What price should be charged by the guild for land acquired for new houses? Naturally and equitably, as ascertained by competitive sale, I think ; but all these are questions that can bear much consideration and discussion.

A difficulty confronts us in the conveyance of house property from the capitalist owners to the new owners and occupants, arising from the enormous number of lots to be put up for sale by auction. The sale and transfer of all house property not occupied by owners would take a very long time, and those who succeeded in buying their houses early would have an

advantage over the later purchasers, if no steps were taken to equalize advantages. The difficulty might perhaps be surmounted by the nominal nationalization of all rented dwelling houses on a certain date. All that would be done on that date would be that both tenants and owners would return to the guild certain forms filled up with the information regarding rents, ground rents, and the age, style, and condition of the houses, required by the surveyors and the accountants of the guild. Until further steps were taken, tenants would have fixity of rent, and owners would continue to manage and maintain their house property as before, drawing the rent, and paying the ground rents, taxes, and their share of the rates. Accounts would be settled when the house was actually sold and transferred ; and the net rent drawn by the owner between that date and the date of the nominal nationalization would be debited to his account as part payment of the money due to him as compensation and interest on unredeemed bonds. It would be credited to the tenant's account as part purchase money of a house, not necessarily that in which he was residing. At the same time, the contributions due by the capitalist class from the date of the nominal nationalization would have to be collected, and therefore the government would have to estimate the amount of these. What was collected would be used at once to redeem the bonds already issued and to pay the interest on the unredeemed bonds.

In the competitive sale of houses there would be some that no one would offer to buy even at the " real " value ascertained by the valuers. We may go further and say that some houses would be unsaleable at any price, and yet further, that what is called slum property ought not to be offered for sale at all. This would mean a considerable loss to the owners of such property, but in view of the fact that all this property is part and parcel of the capitalist system, and that low class property is inhabited by people at present who, owing to low wages, cannot afford to pay for better, the whole capitalist class should bear the loss. The capitalized net income from such should be paid out of the capital levy. The unsaleable houses and slum property would become communal property, and would be demolished when the occupants got suitable houses elsewhere, the net rent for such houses being credited to the occupants against payment for their new houses. The occupants could intimate the kind of house they desired to buy, and each year as many would be built as the total amount of the net rent would pay for. In addition grants might be

given from public funds to provide houses clamantly required. The right of entry into the new houses might be balloted for, and the lucky ones would get possession and continue their payments at the old figure until everyone was provided with a house of his own.

How would the sale of houses be conducted after they had passed into private possession either with or without the debt on the house wholly cleared? There seems no reason why it should not be arranged by the owner as he pleased either by private bargaining or by public auction. The price arranged would approximate to the equitable price in proportion to the levelling of income. Prices would be regulated by the cost of production, and that would depend on the efficiency of the economic system.

We now turn to the nationalization of the land. We have already dealt with this process as it affects the land on which dwelling houses are built. It is possible to carry through that measure of land nationalization without dealing with land as a whole. Indeed, it seems desirable to deal with all land in this sectional way, so that only that part of it would be affected which was necessary for a nationalized industry or service. Land required for factories, workshops, and railways should be nationalized only when the industries of which these form part, become public property, similarly with land and minerals in connection with the various mining industries. Arable and pasture lands would be taken over just in so far as it was deemed opportune to nationalize the farming industry in whole or in part; and private parks when required for the plough, for pasturage, or for public pleasure grounds.

Nationalization of the land as generally advocated means little more than the nationalization of rent. But for ordinary fiscal purposes, and for the extraordinary demands in connection with the compensation of expropriated capitalists under nationalization schemes, rent could be attached like any other form of unearned income. Until the State is ready to organize on collectivist lines (the prime object of nationalization) the industries with which land is connected, there would be little advantage in taking it out of the hands of private owners.

It seems likely that agriculture will be found the most difficult industry to nationalize and organize on a collectivist basis. Farmers form a class of capitalists who will perhaps be troublesome to deal with, for they are most conservative and strongly individualistic. Unlike the managing owners of

industries, few have salaried assistants who could be appointed in their places, and therefore the country would have to depend greatly on their loyalty. As capitalists they would be deprived of the opportunity of making profits at the expense of the community, and those who were farming on a large scale would no doubt cherish feelings of resentment, even though they had received fair compensation, and it would be necessary to be on guard against their possible antagonism to the successful working of Collectivism. On the other hand, the small tenant farmers and the small freeholders might regard the new system as a relief from many troubles. As men with much experience in the technical and practical side of land cultivation, they would have the capacity to manage larger farms, and if small holdings were amalgamated or incorporated with larger farms, they could fill the places of the larger farmers who might be found untrustworthy. Farm bailiffs and grieves on the large farms could in similar circumstances probably fill such places too. Agricultural colleges would quickly turn out a new class of farmers free from the prejudices of the commercial period and interested in agriculture for its own sake.

Countries with a large peasant proprietary would be faced with unknown difficulties. The peasant proprietors would have to be familiarized with the proposals, their views would have to be ascertained, their fears allayed, and their prejudices overcome. The collectivist plan might have to be modified to meet with acceptance, but later, when better understood and appreciated, would probably be adopted in its entirety. It is essential that the goodwill and cordial co-operation of the peasants should be obtained, and therefore much educational work among them would have to be done ; and the knowledge of their outlook thereby acquired would be invaluable in the foundation of the nationalization plans. Above all, these peasants would be left on their farms with security of tenure so long as they farmed efficiently ; and what is of greater value they would have security of income, and an income equal to that of everyone doing equal work ; and their sons and sons' sons, if capable, might succeed them, if they would. Not being capitalists on a large scale they would escape heavy taxation, while they would receive the value of their land, stock, implements, and buildings. It is evident they would have little to complain of.

Under Collectivism agriculture might be organized on lines somewhat like the following. The guild system would be

adopted. The central board composed of experienced agriculturists would divide the country into its natural agricultural districts, each of convenient extent. In charge of each district would be a superintendent appointed by the board, and he would be responsible for his district. The orders he would issue, the methods he would propose would be open to criticism at the district guild meetings, and appeals might be made to a guild court, composed of experienced agriculturists, supervising several districts and their superintendents. There would in the first place have to be collected statistics of the actual production of each farm under Capitalism. That standard of production would have to be maintained, the question of its increase being left in abeyance. The information would have to be got from the individual farmers, and it could easily be given by them, if they chose to act loyally. The productive capability of each farm would have to be sent to the district centre, and later the figures received would have to be checked by agricultural experts independent of local influence. The rotation of crops, and the kind and quantity of each for some years past, would have to be stated. The returns for each district would be tabulated, and sent to the head office of the guild, which would then know the actual productive capacity of the country under the system of production at the time of nationalization. The head office would be in a position to decide, after taking into account the probable prices of foreign produce, the quantity of each crop it would be desirable and possible to raise in the country, and instructions would be given to each farmer through the district offices as to what he would have to grow, due regard being had to rotation of crops. In this way overproduction or underproduction of any crop would be avoided, for it would not be left to the farmers, as at present, with insufficient data of demand and especially of supply, to forecast prices and decide which would probably be the most profitable crops to raise. Farmers would be relieved of all anxiety on this point. Again, when the crops were harvested, they would be relieved of all time and trouble in the sale of them. In other words, farmers would not require to be, as they must be now, not only skilled in agriculture, but shrewd and capable in speculative foresight, that is, to have qualities that are but too often not combined. The relief from the usual commercial duties requisite under Capitalism would allow the farmer to devote all his energy to the technical work proper to agriculture, and to the important work of keeping records of

the time expended on each crop, and of the output, which would enable the accountants at the head office to fix prices for the whole country.

As in the case of other industries, in agriculture there would be craft unions and guild organizations, besides courts of appeal. The farmers would hold a position analogous to that of managers of factories, and would be held responsible for the successful management of the farms. Rates of wages, hours, and conditions of labour, would be decided by the national wages board. Comparison of the annual output with the returns for previous years, or with the quantity estimated as adequate by the expert superintendents, would have to be made at the district office, and experts would inquire into the reasons for any falling off. Examination of buildings, implements, and stock would have to be made periodically in order to maintain efficiency. Continued bad farming would lead to the removal of the farmer to a less onerous position.

The maintenance of efficiency is a difficulty common to Collectivism and Capitalism alike; and peculiar difficulties are inherent in such industries as agriculture and mining, in which the work of man is inextricably mixed with that of capricious nature. In a factory or in a workshop the worker has perfect control of the output. It depends entirely on his skill and application, and is the measure of his reward. On the other hand, a coal miner may have to work at seams of varying richness, while a farmer has the weather and many pests to contend with. The farmer under Capitalism with his expense to meet, rent, wages, manures, etc., is subject to the motives of protective self-interest in perhaps a greater degree than any other worker, and has therefore every inducement to be efficient. Under Collectivism with security of livelihood he would not have the same incentive to efficiency. Therefore in order to spur on any one who might be tempted to slacken his efforts, certain checks on output and management would have to be instituted. Only a very small minority, it is to be hoped, would require to be saved from degeneration by such checks. Pride in good work is not an uncommon virtue. It can be strengthened and extended by precept and example, and ought to be inculcated in all schools and colleges. But control could not be dispensed with, and removal for inefficiency would have to be insisted on. At the same time it might be worth considering whether, in the early stages at any rate, it would not be advisable to grant bonuses to the farmer and his workers in all cases when

the output over a series of years showed an increase due to an improvement in efficiency, also an annual bonus when superior management of the farm and special care of buildings, implements, and stock were evident. Dissatisfaction with the awards might arise, but as the bonuses would not be settled on the competitive principle, everyone reaching a certain standard being entitled to participate, there would perhaps be little to fear from such an arrangement. It would be for the industry itself to devise some such method.

The question now arises whether the collectivist organization of agriculture ought to be done (1) in wholesale fashion over the whole country, or whether (2) only certain areas should be selected and experimented with, or again whether (3) only several branches or even only a single branch of agriculture, let us say, dairy farming, should be dealt with first.

Other things equal, it seems more prudent to proceed in sectional fashion, although it cannot be denied that the full advantages of nationalization in the sections will not be obtained until the whole industry in the country is placed on a collectivist basis. For instance, it would not be possible, if the second method were adopted, to fix prices, unless indeed, concurrently with this sectional collectivization, the State were to act as sole buyer of all agricultural produce from those areas still left under private ownership and management, as well as of all imported produce. Then there would be no safeguard against over or under production of certain crops, unless all farmers were ordered to organize themselves according to districts, and form a national representative board, which would collect all necessary information as to average productivity and decide the acreage for each farm. This would prevent over and under production, and would be a benefit both to the public and the individual farmer. Arrangements could then be made between the State and the national board about the prices. Thus would be removed from the way of sectional collectivization the difficulties in connection with the proper quantity of each crop and the fixing of prices.

There seems no good reason for objecting to a single branch of agriculture like dairyfarming being collectivized either as a whole by the State on the guild system or sectionally through the municipalities. There is a clamant need for a plentiful supply of good milk and other dairy produce for our town populations, and authority might be given to town councils to take over farms for that purpose, and work them on collectivist principles. In the absence of the inducement of

private profit, there would be no risk of tuberculous cows being kept on dairy farms, as they are said to be now, to the detriment of the health of the people. The municipalities ought to receive assistance from the State in compensating the expropriated capitalists in the manner described earlier in this chapter. There seems indeed no cogent reason against the State paying all the compensation, and holding the municipalities responsible for the maintenance of the property until the national guild system is inaugurated.

To enter here into details of the process of collectivization of all industries is not possible. A monograph must be written for each industry. It must be left to collectivists intimately acquainted with the industry to which they are attached to work out and discuss plans for the collectivist working of their industry and for its transition. But they must first thoroughly understand the principles of Collectivism.

Before leaving the subject of nationalization, it is worth considering whether industries should be collectivized just in the order in which the fancy of the public may chance to light upon them, or whether there is not a natural order, that is to say, one according to which industries would be collectivized in priority of importance and with reference to the extent to which one collectivized industry would smooth the way for the collectivization of another.

It is generally advocated that those industries which have practically become private capitalist monopolies should be transformed into State monopolies. They are then certainly ripe for nationalization, and they ought not to be neglected. But collectivists cannot wait upon this problematical, and in any case slow, transformation of individual interests in an industry into one huge monopolist trust. Something more will have to be done, if the work of collectivization is taken up seriously.

The great essential industries, those producing the necessities and simple comforts of life, ought certainly to take precedence of those concerned with the production of the luxuries and non-essentials. Food, clothing, fuel, houses, and furniture are of the first importance. Such commodities ought to be provided in abundance and of guaranteed good quality, and be removed from the manipulation of profit-makers. Therefore the essential industries should receive first attention. But the complete article of consumption may have to pass through several industries in the process of its production. Simple woollen clothing, for instance, has its

origin in the sheep farms either at home or abroad (we can, of course, deal only with farms at home) ; passing from the industry of sheepfarming, the wool has to be specially prepared for spinning ; it passes into the spinning mill, into the dye works, then into the weaving mill, into the hands of the shrinkers, and so into the clothing factory, and finally into the retail shops. If sheepfarming were the first of all these industries to be nationalized and worked on collectivist principles, the wool being sold at cost price, how much of the saving would be enjoyed by the consumer in reduced prices ? The manufacturing industries and the retailer would almost certainly pocket most of it, intervening as they do between the farmer and the consumer ; and it might be necessary for the State to interfere with the prices. The more remote the collectivized industry from the consumer the smaller would be the benefit he would derive from it. With coal, which is used by the consumer in its raw state, there would be only the mining industry and the retailing interest to collectivize, and both would have to be collectivized simultaneously. Railway rates should be fixed by the State for this traffic.

Evidently the distributive or retail business, which is last concerned in the production, should be collectivized early ; into this question we have gone in some detail in the chapter on Local Government ; and it would be advisable to have the State controlling all unnationalized industries that are linked up with a nationalized industry, so that as far as possible, they will not be able to intercept the benefits of collectivization. In the criticism of nationalization proposals, then, industries should not be favourably considered on account of, let us say, their great size or extent, but on account of the importance of the commodity they assist in producing, and in inverse ratio to the number of industries concerned along with them in the production of the finished commodity.

Among the many problems of nationalization is one too important to be left unconsidered here. Under Collectivism what would be the position of the press, i.e., the means of the dissemination of knowledge and ideas, either by newspapers and other periodicals, or books ? It is above all things important that no impediment should be placed in the way of the communication of knowledge, and that the utmost freedom of discussion and criticism should be maintained, all, however, within the limits traced by the legislature in the interests of public morals. What these limits should be is an interesting and important question of ethics which cannot be

dealt with here. In accordance with our practice let us consider first the ideal, and then the transitional position. With all the printing industry organized and held in trust for the community by a guild, how would newspapers and other periodicals be run, and books published? The printers' guild would undertake the printing of books, newspapers, and periodicals for private persons and associations, who would guarantee the cost; and, if required, the distributive guild would place them before the public. With a special department of the distributive guild devoted to publishing there seems no good reason for the existence of firms of publishers who in the expectation of making a profit would be willing to undertake all the expenses of publication. On the other hand there would be no call for absolute prohibition in a system in which there was equality of conditions and opportunities; the bargaining would be free and between equals. Authors might, if they chose, undertake the cost and risk of publishing their books; they would be in a position to do so, owing to the expense of publication being at prime cost, and to the possibility of saving for such an object in consequence of the easier conditions of life. Scientific and other societies might undertake the cost and risk of the publication of works judged worthy of support.

With regard to newspapers, let us suppose we have to deal with the wants and tastes of a public like our own, and must supply the news from home and abroad daily. One newspaper in every large centre would suffice. Political differences and the commercial moneymaking spirit account for the existence of competing newspapers now. There seems no reason why this difficulty should not be overcome by having different schools of thought represented in the one paper. Recognized authorities or leading exponents might contribute regularly, and a considerable portion of the space might be reserved for public discussion. Complaints of all kinds about the management of the paper, about insufficiency of news, or burking of discussion or opinions or new ideas, could be brought before the local councils, and public opinion thus focussed would operate through the usual channels upon the press guild. Press representatives would be stationed in every part of the country and in all parts of the world, for the purpose of supplying the national newspapers with news. The immense economy of a national press would compensate for the loss of commercial advertisements. So much for the simple newspaper with or without commentaries on current events. As

already indicated, the existence of such a national press would not preclude any association or private person from having the liberty of publishing papers or periodicals for the exposition of any political or other theories or ideals, always on condition of allowing in the same journals criticism and discussion by their readers.

A weekly press like the present with its too often very inferior articles and stories, and its sensational chronicles of vicious and criminal life, will not likely be wanted in a well-educated community with elevated tastes. In fact there is reason to think that all this nastiness has been thrust on the public by newspaper proprietors who think it is financially more profitable to speculate on the vices than on the virtues of the people, and to encourage and develop these vices. Taken out of the hands of private profitmakers it would undergo a radical change, and attempts would surely be made to raise the standard of reading.

The nationalization of the daily and the weekly press is a clamant necessity when it is, as now, in the hands of a few newspaper kings, who by selection and distortion of news, by skilfully misleading or one-sided articles, and suppression of criticism, control public opinion. This power is too dangerous to the social life to be allowed to continue long. In order to counteract it at once, it ought to be enacted by parliament that every newspaper should devote a fixed and considerable proportion of its space to criticism from the public, or expressions of opinion arising out of views published in it. To prevent any unfairness on the part of editors the writers of rejected communications should have the right to appeal to an arbitrator or censor in each district selected because of his impartial mind. Some arrangement of this sort is required to ensure every question being considered from all points of view in the same paper. The narrowness of outlook of the man in the street, is for the most part due to the prejudiced partisan character of newspapers, on seldom more than one of which every citizen depends for enlightenment and guidance.

In conclusion. The full efficiency of collectivist methods cannot be expected until the collectivist system is complete. But even within the capitalist system collectivized industries ought to offer greater benefits to the community than they would under capitalist ownership and management. Nevertheless the disadvantages of that environment would be great. Such isolated industries would always be liable to suffer from general bad trade, from troubles arising in

industries linked up with them economically, whether caused by the mismanagement of the private owners and directors of these, by labour disputes, or by the inherent evils of individualist enterprise, such as over or under production due, as we have seen, to want of organization and consequent inability to estimate correctly the effective demand. Furthermore, there is the very serious danger of the corruption of the officials of a collectivist industry by the private enterprise people trading with it, which will have to be carefully guarded against. What is to be emphasized is that not Collectivism but Capitalism must be charged with these troubles, and that not less Collectivism but more is required.

CHAPTER XII

EFFICIENCY

As Professor J. Arthur Thomson in *Darwinism and Human Life* says :—" It behoves man to secure that the literal struggle for existence is replaced by an endeavour after well-being, which will continue in a subtler, more rational, more humane form the automatic singling and sifting which goes on in Nature ".

Unless there were reasonable grounds for believing that the collectivist system would be economically more efficient than the capitalist system, there would be in the opinion of most people little inducement to devise methods for the development of the one into the other. Such grounds exist, as we have endeavoured and shall try further to show. Nevertheless were it merely equally efficient, or even somewhat less efficient, there would still be really considerable inducement to work for its realization, because the equitable distribution of wealth would result in greater happiness and satisfaction to all except the incurably avaricious, and collectivist organization would ensure stability and security.

If we examine the present economic system with a critical and unprejudiced eye, we are struck not with its efficiency but with its extraordinary wastefulness. This is overlooked by most people owing to the persistence of the belief in individual enterprise, despite its quite evident want of cohesion and co-ordination in a complicated system like ours where conditions in which it can be effective no longer exist. Undoubtedly during the persistence of this system the growth of prosperity has been enormous, and this is what leads many to be strongly disinclined to disturb existing conditions. But this increase of wealth and prosperity is mainly due to certain technical industrial factors which owe their existence to the discovery and application of the titanic powers of steam and electricity, and to the consequent successful application of the inventive powers of man to industrial machinery. This operates for social benefit in spite of the bad economic system, and would

have done so in any system. Naturally this harnessing of the forces of nature required the growth of science and the arts, called forth and utilized the latent powers of the human mind, and engrossed human ingenuity to an extent never before experienced in the history of the race. It has been many a time pointed out that steam and machinery have provided mankind with the equivalent of countless myriads of tireless and efficient slaves. Although this power of wealth production has never been fully employed, the actual result has been the unexampled increase of wealth ; but it has been very inequitably distributed and has brought many evils in its train. As we have seen, a competent investigator like John Stuart Mill had to pass very severe strictures on the system.

We have been accustomed to compare the actual present with the actual past, and not what is with what might be. Dazzled with the brilliant technical triumphs of the present compared with the past, we overlook its shortcomings. The most important and indeed vital difference between the old and the modern economic systems apart from their technical industrial factors is the difference between the economic independence of countries and even of districts in the same countries shown in the former and their economic interdependence in the latter. Countries used to be practically self-supporting, their foreign trade, even if important, not being of vital importance. Nowadays few can subsist without a very large foreign trade. Practically all the countries of the world are economically interdependent. In this new condition of things individual enterprise is found wanting. This is most apparent when the modern system is submitted to any unusual strain like that induced by the great war and the abnormal situation after it. During the War not only was it found impossible to prevent business men, whether running large concerns or small, from embarrassing the government in its war efforts and ruining their compatriots individually by charging ransom prices, except by placing them under strict government control, but they could not be trusted to keep the country supplied with the necessities of life. Private enterprise broke down. Immediately the War broke out, assistance to the extent of millions had to be given by the government to financial houses to tide them over their difficulties. A moratorium had to be proclaimed and rickety commercialism bolstered up in that and in many other ways. Private enterprise was helpless. After the War private enterprise freed from government control has been unable to

set the wheels of industry in motion again. Millions of men are unemployed all the world over. It is true that commerce and industry have been handicapped by the action of governments in so far as the latter have in their ignorance or feebleness tampered with currency, depreciating it in order to cover deficits due to inadequate taxation. The unpredictable movements in the exchanges have hampered business. But this seems to be exaggerated as a cause of bad trade. The fact is that bad trade with its resulting unemployment is a chronic disease of Capitalism. The economic machine is always going wrong. World-wide interdependence in economic matters calls for co-ordinating and management functions that private enterprise cannot offer. Individual firms can exercise little or no influence over economic movements in foreign countries, but this can largely be done by government or its agents dealing with other governments and their agents. When industry is no longer dependent on its immediate neighbourhood, but has wide home and foreign relations over which it has no control, private enterprise is found wanting.

The destructive criticism of capitalist economy has been so exhaustive that only a rapid comparison between Capitalism and Collectivism from the point of view of efficiency is required here. Incalculable loss results from the capitalist economic system owing to the individualism of its industry and commerce. There is no co-operation for ascertaining the wants of the people, and for setting and keeping the industrial system in motion in order to supply them, and as a consequence to ensure constant employment for all. This is left to blind groping speculation, the natural result of which is industrial and commercial crises with bankruptcy and ruin for capitalists and unemployment and starvation for the workers. We have seen how Collectivism would prevent such evils. Steady employment for everybody can certainly be secured by collectivist action. Consider the enormous increase in wealth production resulting from the disappearance of unemployment alone. The saving arising in this way would be enormous, and it is quite unnecessary to try to figure it out. It would arise from applying collectivist organization to the economic system, from substituting efficiency for inefficiency. It is impossible to express in terms of money the increase in human happiness to those saved from abject poverty and those relieved of the fear of unemployment.

Other economies would result. Consider the expenditure on the competitive working of hundreds of thousands of

productive and distributive units, which would be saved. Consider the overlapping of their activities, the staffs for snatching business from each other, the advertising and petty accounting. All that would be unnecessary under Collectivism with its co-operative methods. Consider again the enormous saving of labour resulting from the reduction of banking, insurance, and revenue-collecting staffs, when the simplified collectivist arrangements are in working order, the saving of labour of high quality which would thenceforth be available for high-class and really productive work.

Again there would be a huge increase of real wealth owing to the greater demand for its production when excessive individual saving is rendered unnecessary by the disappearance of insecurity of income and livelihood. Wealth would be produced to supply real wants, instead of being wasted on all sorts of wildcat schemes for ousting old-established capital at home and so overcapitalizing industry, or for developing backward countries with undue haste and on wrong lines.

A further saving would be effected through the cessation of opposition to new labour-saving machinery, appliances, and methods. As everyone would be assured of his full share of work and the standard remuneration for it, as no one would suffer from any change in the methods of production or distribution, but all would benefit, there would be an extraordinary increase in the return to labour, especially if rewards were attached to all suggestions that resulted in an increase in the productivity of labour.

The notorious ca'canny system of working would be known no more, for the conditions that called it forth would no longer exist. Profit-making employers using unfair means to reduce wages, and the unemployed appealing in vain for work, would then only be a historical nightmare.

So much for the superiority of what may be called the financial, industrial, and commercial mechanism of Collectivism. It is an efficient mechanism. Collectivist economy is in the highest degree conducive to efficiency, and necessarily so. In several of the preceding chapters we have endeavoured to prove this, and repetition is uncalled for.

Collectivist ethics too would have an equally beneficial effect on the workers, and therefore on the production of wealth. The conflict between Capital and Labour would of course cease. The saving effected by the cessation of strikes and lockouts would be enormous. Disputes there might be, and dissatisfaction with the decision of the courts. But

stoppage of work is inconceivable, for there would be no arbitrary changes in pay and working conditions, which would be steadily improved, and every facility would be given for the hearing of complaints by competent and unprejudiced courts. The fact that there would be no payment of dividends, no rent, interest or profit, would remove the principal cause of dissatisfaction, there being no class of capitalist employers claiming a share of the product of labour. Differences of opinion would probably arise, especially in the early stages, about the relative remuneration of the different kinds of labour. But they would all get a fair hearing and careful consideration from a court of experienced and judicially minded persons.

Collectivist ethics and economics will have to be systematically taught to everyone. The knowledge of their importance for social well-being must be impressed upon all through every channel. They must be taught even to the very young, of course in the simplest way, and the teaching will become more profound in proportion to the age and intelligence of those who are being addressed. The inculcation of the duties of citizenship is almost wholly neglected in these days. In fact it is impossible to reconcile these duties with capitalist production and distribution, and therefore little attention is devoted to this supreme want. It is felt with apprehension that the logical outcome would be a fundamental change of economic conditions.

Special attention must be given to the training of youth in conscientiousness in work. It will not be difficult to get the young to recognize the duty of reaching and maintaining the standard of excellence required at every stage of one's industrial training and from every trained worker, and to recognize the justice of reduction of remuneration for inefficient work. If the complaints of employers are to be believed there is little done now to establish and maintain such standards. Therefore Capitalism cannot cast stones at Collectivism on the pretext that under the latter system there would be no discipline or less discipline in industry. That the inefficiency of labour is increasing is a common complaint even now under Capitalism. We have given several reasons for believing that under collectivist conditions labour would become more efficient. What is there now that induces or compels labour to be efficient that would not exist under the new conditions? It will probably be said that the fear of unemployment tends to maintain efficiency, as the least efficient are the first to be discharged in bad times, and the last after a period of bad trade

to be re-employed, and further that as under Collectivism employment will be provided for everyone, this incentive will no longer operate. I think this is the only argument that can be adduced in support of the contention. But it is a futile one. Under Collectivism if the worker is slow, his pay will be reduced; he will be paid according to the standard of time fixed for his kind of work. He will get the same remuneration for the piece of work actually done, whether he does it quickly or slowly, provided, of course, that its quality reaches the standard. If the worker were engaged in team-work and retarded others by his slowness, he would have to be offered some other suitable work. If he refused to accept, he would simply have to take the consequences of unemployment. Similarly, if the quality of the work were inferior, his remuneration would have to be correspondingly reduced. If no improvement resulted, the worker would have to be transferred to some easier kind of work, which naturally would be paid for at a lower rate. The worker would get the real value of his work, much or little. Any inefficiency of his would be for him to bear, not the consumers or his fellow-workers.

But there would not only be punishment for bad work and reward for good work—the inevitable punishment and the inevitable reward involved in each piece of work being paid for at its true value. There might and ought to be special inducements for the introduction of all kinds of improvements in production. Any worker who made any invention or discovery, or proposed any method of production, resulting in the output of better or cheaper goods, ought to be handsomely rewarded; and if any productive unit, or any of its departments, by better team-work succeeded in improving production, it ought to be allowed to enjoy for a number of years a substantial percentage on the saving effected or on the superior value produced.

There is another point to be considered. Perhaps the most frequently re-iterated charge against Collectivism is that all the horrors of bureaucracy would be the punishment to be endured if Collectivism were introduced. Bureaucracy is held to be the most inefficient and most tyrannical system conceivable. Those who use the word so glibly have a very faint idea of what they mean. What is the slight glimmering of meaning that they attach to it? As far as I have been able to comprehend it, the complaint is that the bureaucracy of Collectivism is the administration of economic affairs by a

body of officials who are irremovable, irresponsible, tyrannical, incompetent and expensive. In my opinion that describes capitalist employers. They cannot be removed, they are responsible to no one for the management of their businesses, for the choice of employees, for the treatment of these employees except when restrained by act of parliament or countered by trade union action. They are expensive because they draw enormous salaries and fees besides the dividends on capital, which cannot be defended on moral grounds. Some may not be cruelly tyrannical, some may even be laudably beneficent, but all are despotic and have entire control of the fate of their employees. Not all are incompetent in the knowledge and management of their own business, but certainly all are incompetent to run the capitalist economic mechanism without producing all the evils we are unfortunately accustomed to, bad trade, financial crises, unemployment, poverty, disease, strikes, war, revolt, revolution. Under Collectivism guild officials would have to conform in the management of their industry to accepted ethical and economical principles, and although the rank and file would not be allowed to alter rules and regulations, they would have all the necessary machinery for criticizing them and getting them altered. There would be no arbitrary irresponsible management.

There is an objection that is sure to be raised against the proposals made here for the conduct of industry by Collectivist Guilds, and it deserves attention. We gave a hint of it when dealing with the relations between municipal authorities and the guilds that would have to undertake work done now by workers in the employment of these authorities and under their direct control. Would not this removal of the workers from the direct control of the municipalities tend to inefficiency? Punishment for inferior work would not be inflicted so swiftly, because the municipal authorities would not have the right to inflict it, but would have to complain to the guild officials. But is there any reason to think that it would be the less sure? It is not recorded that crime has increased because the punishment of it is left to the public authorities. The fact that punishment is not inflicted on the spot, but only after much delay, does not encourage crime. The certainty of ultimate detection and punishment is what deters the would-be criminal. We may take it as certain that in like manner the quantitative and qualitative value of work would not show any decrease. It is inconceivable that any

guild or any section of a guild, any of its officials, or any of its rank and file would dare to play false with public authorities, who would have all the force of public opinion and public interests at their back.

Similarly, there need be no fear that private consumers would suffer loss or inconvenience in their purchases. They have no redress under the present system. They have to accept what is offered to the public; and there is tacit agreement among capitalist producers as to what that should be. If dissatisfied with one firm, they may transfer their custom to another, but the general experience is that they do not succeed thereby in bettering their position. They are simply driven from pillar to post. Consumers have to deal with thousands of firms, quite uncontrolled, who are all sure of a satisfactory share of the custom of millions, and who know that the places of those who are dissatisfied and withdraw their custom from any of them, will be filled by others who have been disgusted with their treatment elsewhere. Under Collectivism there will be the one producing guild to be dealt with, and all discontent with its work will be focussed, and will operate with irresistible force and little delay through the recognized official channels. Those at fault will be quickly discovered and severely dealt with.

Can we be sure that the economic arrangements advocated by collectivists will be adopted? We can not. But there can surely be no doubt that if the people could get a clear understanding of the moral principles and economic arrangements of Collectivism they would adopt them cheerfully. If the world is to be made better all classes must assist in the discussion of these problems, and make an honest endeavour to solve them and bring about a better social system.

If we fail to do this, we fail to save civilization, for the forces of discontent and revolution, which are undermining society even now, will of a surety surge up and sweep away the whole social fabric, the good with the bad. Humanity, thrust into the depths of primitive ignorance and helplessness, may again, with good luck, have the opportunity of re-tracing its weary trail through millenniums of dark ages. But the prospect of it!

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